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Senate Report Is Highly Critical

'Student' Tells Benefits To Be Gained From Attendance At Management Institute

By BERNARD P. McMACKIN

A fair number of the students at the annual advanced agency management institute conducted by Ohio Assn. of Insurance Agents are repeaters. These affairs consume one solid business week, plus travel. The men and women who attend, repeaters included, are, without a known exception, mighty busy people.

What goes on in such an institute, to justify the hardly negligible financial expense to which an insurance man will put himself to be there? Why will a fellow whose own stature in the business is not infrequently substantial, humbly take on the role of a schoolboy? Can he gain enough in the course of a week to balance off the sacrifice of that week's production?

Accepts Invitation

This was my curiosity about management institutes and I found it among a good many other insurance men and women too. So, responding to generous standing invitation from Douglas H. Avery, executive secretary of the Ohio association, and John W. Hemphill, Painesville, dean of the management school and former president of the association, I checked in at Ohio State University and looked for the answers.

What should an insurance agent know about surplus lines operations? These days, judging by the response of the management institute students to a half-day course on the subject, plenty. Bernard J. Daenzer, president of Wohlreich & Anderson, the New York surplus lines firm, was the professor. Here, in summary, is the territory he covered.

There are four major ways of classifying lines which send an insurance producer to Lloyd's and "world insurance markets." First, there are the substandard classes, which can include fire risks, auto physcial damage, inland marine, OL&T, product, burglary and fidelity. Second, the capacity class-

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TWA Hull Value Set At $100,000-$150,000

The hull of the TWA Constellation, which exploded and crashed last week southwest of Chicago was valued between $100,000 and $150,000. It was insured through Associated Aviation Underwriters.

Lloyd's Makes New Cuts In Ill. Dram Shop Rates

London Lloyd's has reduced rates 20% and lowered minimum premiums on Illinois dram shop insurance risks for taverns with normal closing hours. Normal closing hours are before 2 a.m. weekdays and 3 a.m. Sundays.

Minimum premiums have been lowered to $250 for taverns in Cook County and $350 for the balance of the state.

These changes follow a similar rate reduction for neighborhood and family type taverns which have an annual gross revenue of less than $25,000, adhere to early closing hours and are within city limits.

All Lloyd's liquor liability premiums can now be reduced by as much as 50% from the scale rate under a special merit classification plan based upon good performance over a three-year period.

Montana Agents Elect Patenaude At Butte Annual

BUTTE—Montana Assn. of Insurance Agents drew 300 to its 30th annual convention here last month.

E. D. Patenaude, Helena, was elected president, succeeding Carl W. Daniel, Butte. Other new officers are Walter J. Peterson, Livingston, vice-president, and James E. Drisco, Butte, secretary-treasurer. Gardner C. Waite, Bozeman, was named state national director.

Illustrating his talk with a film, Valmore H. Forcier, advertising coordinator for National Assn. of Insurance Agents, spoke of the effectiveness of advertising in the insurance business. He told of NAIA's plans for concerted newspaper advertising in the coming year.

At the banquet, the agents honored F. J. Sullivan, assistant manager Montana Fire Rating Bureau, who will retire Oct. 1. Mr. Sullivan was presented a camera by the agents and National Board gave him a telephoto lens attachment.

Holmes Lauds Sullivan

Montana Commissioner Holmes was on hand and spoke of Mr. Sullivan's long career in representing National Board at Montana legislative sessions. He represented the organization from 1921 to 1956, never missing a session in that period of time.

Other speakers included Clyde Gummow, deputy to Mr. Holmes; David H. Rogers, manager of group and pensions Aetna Life, Spokane; Robert Westin, manager marine department Home, Denver; Martin K. Hanifan of Anaconda Copper Co.; Robert Bell, Helena, president Montana Underwriters Assn., and A. L. LaBar, Billings, vice-chairman Far West Agents Conference.

At the business session, the agents adopted a by-laws change which will allow "mixed agencies"—those representing both stock and mutual companies—to be eligible for association membership. An increase in dues was also adopted.

Minority Reports Say Conclusions Lack Objectivity

In minority expressions, Sens. Dirksen and Hruska state that on many of the controversial issues the majority report of the Senate anti-trust and monopoly subcommittee lacks the complete objectivity which a fair consideration of the record requires. They also criticize the subcommittee for not getting the report out more promptly. Many of its findings are already out of date, they say.

Both Seek Same Law

Sen. Wiley also issued a minority report. He believes the majority's conclusions are faulty in not taking up the matter of capital and reserve requirements. A survey of insurers that have failed in recent years indicates that the common cause is not inadequate rates but improper capital and reserve requirements. He also thinks the subcommittee did not go into the matter of surplus line nearly far enough and that there is great danger to the American insurance buyer in the lack of regulation in this field. (The majority report indicates that the subcommittee will explore this area in further hearings.)

Sens. Dirksen and Hruska note that traditional insurers and independents are seeking substantially the same type of rate regulatory laws, though the majority report suggests that the traditional companies still wish to impose mandatory bureau membership to restrict competition.

They also criticize the subcommittee for its inquiry into insurance department operation as "an improper invasion of the sovereignty of state governments" and term the findings meager and already out of date. They also take the majority to task for its implications that advisory organizations and trade associations of the old line companies have engaged in a concerted conspiracy.

Simple Inquiry Lawful

After all, they state, every prudent business man, many ordinary citizens, government bureaus and Congressmen inquire of their attorneys from time to time whether a proposed course of conduct is allowable under the law or not. If the thesis in the majority's report is sound—that intent to violate the law is to be implied from an inquiry as to whether a proposed course of action is lawful—then every citizen is a potential criminal and the most prudent would be highly suspect.

The suggestion that trade or advisory organizations have molded the regulations issued by the insurance departments is an unwarranted and unsupported aspersion on the character of conscientious public officials, they declare. They think the majority report tends to undermine public confidence in the insurance business.

Inquiry Unit Finds Regulation By States Is Weak

Doesn't Approve Manual Copywriting, Sees Exams As Guarantee Of Solvency

The report of the Senate anti-trust and monopoly subcommittee which covers the hearings it conducted on rates, rating organizations, and state rate regulation concludes that bureau rate making, particularly in fire, is dominated by the representatives of a few large insurers, and that state regulation, though it could be improved to do a better job, is in many respects weak and ineffectual.

The subcommittee recommends that the Department of Justice look into the requirement by Virginia, North Carolina, Louisiana, Mississippi, and District of Columbia that insurers belong to rating bureaus. It called "particularly urgent" the need for Department of Justice to direct its attention to the monopoly in auto liability insurance created by the recent North Carolina law which supplements the mandatory rate bureau membership requirement by eliminating deviations as of Sept. 1. (The report does not mention Massachusetts, where uniform rates have been charged for compulsory automobile liability for 30 years.)

Urges Court Test

The subcommittee urges an immediate court test to determine how far state laws can go under the McCarran act in eliminating competition in the interstate insurance business. If the Supreme Court should uphold the validity of such state laws, Congress has no alternative but to drastically revise the McCarran act, the subcommittee asserts.

While being sharply critical of the four states because the mandatory bureau membership, the report is quite lenient with D.C. It states: "The subcommittee is happy to note that in the District of Columbia, because of an enlightened administration of this law by the present superintendent of insurance, the anti-competitive impact of such provision has been held to a minimum."

Rate Manual Copyrighting

The subcommittee takes a dim view of copyrighting rate manuals, particularly by National Bureau, and said that "it seems questionable that an assessment based upon premium volume of companies which do not desire to be either members or subscribers of the bureau is an equitable method of determining the selling price of such manuals." The report notes that National Bureau did not get approval of commissioners before changing the

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price. The subcommittee thinks that the commissioners certainly have the responsibility of analyzing these new assessment rules "to determine whether they are intended to or have the effect of restricting independence of action by forcing insurers into greater dependence upon the rating bureau."

Sole Responsibility Noted

Sole responsibility for the making of rates should be lodged in each insurer, the subcommittee declares. In this way rates will achieve their proper level as a result of the natural working of the market place. However, the report adds that the commissioner must retain comprehensive powers to protect the public interest by reviewing these filings, and disapproving them whenever he finds them to be excessive, inadequate, or unfairly discriminatory. The report notes that the all-industry laws do not provide for prior approval, but the deemer clause has caused these laws in practice to operate as prior approval statutes.

The report urges adoption of the so-called model bill introduced in Congress by Sen. Kefauver for the District of Columbia. This is a file and use law. In urging the philosophy of this measure, however, the report contends that the California law is weak in not requiring the insurer to file rates and forms and supporting data. Since insurance remains a regulated industry, the subcommittee states, the commissioner at all times should have the rates and all supporting data at his disposal for immediate and easy inspection.

Votes For Examinations

The subcommittee unhesitatingly votes for insurance department examination as the one effective means of guarding the solvency of insurers. However, it recommends several changes in examination procedure, including the conduct of them more frequently, elimination of the practice of charging the cost to the insurer being examined, and close inspection of interstate reinsurance arrangements.

The subcommittee lectures National Assn. of Insurance Commissioners for its failure to take any action in states where bureau membership is mandatory. It describes the Gerber subcommittee vote against abandonment of prior approval as an "unfortunate action," taken before the complete record of the Kefauver subcommittee was available for the examination and study of the commissioners.

Hints Legislative Action

The anti-trust subcommittee urges the NAIC, in the interest of achieving a genuinely competitive rating structure, to reconsider its attitude toward file and use laws. "The failure now to bring state rating laws into harmony with the competitive developments in the industry," the subcommittee declares, "may doom state regulation to another 15 years of administrative haggling and harrassing litigation. The response of a long-suffering public and an impatient Congress to such shortsightedness may lead to legislation aimed at faulty regulation by the states."

The views of the subcommittee on advisory organizations are much the same as those expressed previously by Sen. Kefauver in support of his D.C. bill, which would provide a good deal more regulation of them than is presently exerted. The report deals extensively with the activities of such organizations as National Board, American Insurance Assn., and Inter-Regional Insurance Conference "in their

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Facultative Fire Reinsurance: Its History, Need, And Availability

By WILLIAM P. BARRETT

(Mr. Barrett, who is associated with Albert Willcox & Co. of New York, reinsurance intermediaries, won the 1961 Anglo-American Fellowship of Insurance Society of New York with a discussion of facultative fire reinsurance. The fellowship was established by Agency Managers Ltd., New York, of which Ben D. Cooke is president. This is the second part of Mr. Barrett's study.)

Through the early 1900s America continued to progress and grow industrially and achieved status as one of the world's economic leaders. It was also during this period that reinsurance started to become a serious consideration for an insurer's economic stability. Facultative fire reinsurance continued to be transacted between insurers. But by now a great number of companies had pro rata treaties that supplemented net accounts and reduced their facultative offerings. Although until 1919 there were only seven domestic reinsurance offices in the U.S., the foreign professional market was particularly active, especially companies domiciled in Germany and Russia.

In 1917, however, with the declaration of war against Germany and the Bolshevik revolt in Russia, companies in those countries no longer were acceptable treaty reinsurance markets to American ceding companies. Immediately facultative reinsurance placements among primary companies revived. In the years 1920-29 20 domestic professional reinsurers were formed, an expansion that was the greatest in any country in any decade before or since.

During the 1920s facultative fire business continued to be placed with insurers. In the early part of the decade primary companies maintained an adequate surplus position to allow them to assume facultative offerings with or without reciprocity. Professional reinsurers for the most part continued to exhibit little interest in the facultative field.

Soliciting The Business

In the latter part of the decade, as the professional reinsurers became entrenched financially, they began to solicit facultative business. However, this was a period of inflation. Insurable values had increased, bringing about a rise in unearned premium reserves of insurers and a decline in surplus position. Relief was sought, and was accomplished through reciprocity. Thus, insurers' edge over the professional market in vying for facultative fire reinsurance continued through the 1920s.

During this period, facultative fire reinsurance was conducted by placers. Each insurer had its own placer or placers. These men had no power to bind risks in the name of their company. Their sole duty was to go from company to company attempting to complete covers. In the late 1920s business was so active in the direct field that it was not unusual for an individual placer to have 200 lines to place in a single day. The internal cost of placements in those times was quite high, particularly because each reinsurance had to repeat all of the terms and conditions of the original policy. There was no agreed commission standard for lines offered. Each was negotiated separately. The minimum commission paid for facultative fire reinsurance was 15% and the maximum 25%. Low acquisition costs helped to defray the high expense of clerical operations.

During this time, Douglas Lewis, reinsurance manager of North British,

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Cal. Agents Get Reports On SDIP, CLIP And Cal-Vet

California Assn. of Insurance Agents' position in the Cal-Vet dwelling insurance controversy remains basically unchanged, officers of the association told member agents during regional meetings throughout the state the latter part of August.

In January, the agents adopted a policy "pointed towards recovering the privilege of writing Cal-Vet dwelling insurance. . ." The association said it would "remain alert and give constructive criticism when it appears in the interest of the department of veterans affairs to do so." In addition, association leaders said they would avoid open conflict as long as the issue remained largely political in nature.

No Basic Change

Since the Cal-Vet situation has showed no basic change since January, the views spelled out at that time still reflect thinking of the California agents.

(On December 1, 1960, the entire insurance contract for Cal-Vet financed homes was awarded to National American of Omaha. Previously, 237 companies had participated jointly in writing Cal-Vet dwelling insurance for 25 consecutive years, with California Assn. of Insurance Agents acting as liaison between the department of veterans affairs and the signatory companies.) Officers also reported to members on two recent developments in the Cal-Vet matter:

—The California attorney general has been asked for an opinion as to whether the awarding of the Cal-Vet insurance contract should be handled by the California veterans board (as is the Cal-Vet life insurance contract) or by the director of the department of veterans affairs.

—The legislature's interim committee on finance and insurance will study the subject to see if the veterans' in-

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Short Term Renewal Plan For HO Is KO'd In Arkansas

LITTLE ROCK—The Arkansas department has disapproved a filing by Arkansas Inspection & Rating Bureau of the new "continuous renewal plan" under which homeowner policies could be issued for such short term periods as three months, six months, and one year as contrasted with the present minimum term of three years.

"This filing does not contain nor prescribe what kind of an evidence of insurance shall be given to the insured showing that his policy has, in fact, been extended for another three months, six months or twelve months term," Commissioner Combs said in his disapproval order.

These short term contracts would be renewed or extended by payment by insured to company of a renewal or extension premium with the proviso that such payment shall reach the company prior to expiration of insured's short term policy, the department order pointed out. "This procedure, of course, presupposes that a company will give its insured sufficient advance notice that payment must be received by a certain date. This filing is silent on how much advance notice shall be given and in what form."

"Under this filing, an option to renew or not renew also rests with the company. At the end of a three months, six months, or annual term a company may choose not to extend a short term contract. Nowhere in the filing is a provision for notifying an insured sufficiently in advance that extension of his short term policy is not desired by the company," the order stated.

"We do not believe that the public interest is well served by short term property insurance policies which can terminate unexpectedly by caprice, mischance, or negative action," the order states. "In our judgment, this filing by removing the burden of proof of cancellation from the insurance company does not sufficiently protect the interest of the policyholder under a so-called 'continuous form' policy."

The department also disapproved of use of the word "continuous" in the title of the short term policy as "confusing, if not misleading, to the public."

Commissioner Combs also objected to a provision of the filing wherein the policy term is extended to a mortgagee or trustee for 10 days as to only the interest of such mortgagee or trustee.

Summarize Chicago PI Decisions

Cook County Jury Verdict Reporter, with a resumption of court sessions in Chicago, has mailed subscribers a summary of personal injury decisions for the court session Sept. 1, 1960, through the recess in July, 1961. Of the 610 cases decided, 312 were won by defendants, 267 by plaintiffs, and 31 cases were deadlocked. Total damages awarded came to $3,554,957 out of a total demand of $13,700,550 and an offering by defendants of $1,997,813. The average damages awarded successful plaintiffs were $13,314, and this compares with a 1959-60 average of $22,420.

Cook County Jury Verdict Reporter summarizes personal injury decisions, giving pertinent information as to court in which trial was held, plaintiff attorneys, medical witnesses, etc. Its statistics for summary purposes are incorporated with those compiled by Illinois Insurance Information Institute to present an annual survey of personal injury decisions throughout Illinois. Results of that survey were published in the August 25 issue.

Ark. Agents Complete 15 Regional Meetings

LITTLE ROCK—Arkansas Assn. of Insurance Agents last week completed the final four in a series of 15 regional meetings, held throughout August, drawing a new high attendance figure of 376 persons for these annual group gatherings. A heavy agenda of association business plus an educational program built around a discussion of the new farm owners package policy and Inter-Regional's special multi-peril policy program attracted this large attendance.

President P. Gaylon Brown, Fort Smith, presided over the five meetings held in the northern part of the state while incoming president George Frazier Hope, who assumed office Sept.1, conducted the five meetings held in eastern Arkansas. The new vice-president, Carnall Gardner, Fort Smith, was in charge of the meetings in southern Arkansas. Association Manager Gene Fortson attended all meetings and outlined for the membership problems arising out of the no prior approval controversy, the deferred premium plan, and the recent homeowners deviation "war" in Arkansas which finally ended in a 15% HO premium reduction statewide.

New Minnesota Insurer

All Nation Ins. Co., St. Paul, has been organized and licensed to write non-standard auto insurance in Minnesota. All nation is capitalized at $200,000 with 100,000 shares of common stock outstanding. Most of the stock has been sold to agents throughout Minnesota.

Officers are Donald E. Wolfgram, president; Terrence P. Brennan, vice-president; Kenneth H. Wolfgram, secretary, and Rudolph W. Wolfgram Jr., treasurer. The Wolfgrams, who are brothers, formerly were general agents for companies writing auto insurance.

Pacific Employers Earnings Lower; Premiums Increase

Despite a record volume of premiums written, net earnings of the Pacific Employers group declined in the first half of 1961. Earnings for the period ending June 30 amounted to $239,833, equal to 63 cents a share on the 380,000 shares of Pacific Employers stock outstanding, compared with 1960 figures of $388,090 and $1.02.

Total gross premiums written by Pacific Employers, Allied, Meritplan, California Union and California Food Industry amounted to a record $18,640,345, an increase of $1,026,826 or 5.83% over the same period last year.

N.Y. Agents Set Second Series of Regional Meets

New York State Assn. of Insurance Agents will hold its second series of regional meetings Sept. 12, 13 and 14 at Jamestown, Buffalo and Rochester, respectively. The meetings will follow the format of the first three, previously announced, except that William H. Brewster, public relations assistant to the general manager of National Bureau, will replace Kenneth Rogler, assistant manager of the bureau's automobile department, in discussing the safe driver plan.

The special "Girl Friday" sessions at Jamestown and Buffalo will be led by Hazel Schuler and Lorraine Bristow, respectively, both of Insurance Women of Buffalo. Lucille Hobart, past president of Federation of New York Insurance Women's Clubs, will lead the Rochester session.

Mo. WC Hearing Sept. 27

The Missouri department will hold a hearing on Sept. 27 to consider a general revision in workmen's compensation rates effective Nov. 1 and any other phase of WC that those attending may care to bring up.

Indiana Blue Goose will open its fall season Sept. 15 with a golf outing and dinner at the Ulen Country Club, Lebanon.

Fire Underwriters Forum of San Francisco will resume its meetings Sept. 20 at the Fraternity Club. Scott Warwick, Automatic Sprinkler & Fire Control Assn., will give a talk.

Many Problems In WC Coverage Will Be Subject Of Society Of CPCU Seminar

The vagaries and inconsistencies of state laws on workmen's compensation will be the subject of a panel during Society of CPCU's annual conference in Washington, Sept. 27-28. A paper entitled "Workmen's Compensation and Employers' Liability Problems" has been prepared by Jason Crain, insurance analyst and consultant of Cleveland, and distributed to members of the society. It will provide the base for the seminar in Washington.

Among other points Mr. Crain makes is that workmen's compensation laws are constantly changing in all 50 states, some of them are not clear, and many employers are not informed regarding limitations.

Dr. Kenneth Black, chairman of the insurance department of Georgia State College, will moderate the session. Panelists are Mr. Crain, Donald W. Lindow, vice-president of Michigan Mutual Liability, K. M. Hough, vice-president of Anchor Casualty, and J. Folger Allen, regional manager of Liberty Mutual at Los Angeles.

Too Much For One Person

Since the first states adopted WC laws in 1911, there have been many revisions, expansions of coverage, and other changes creating a variety of laws which challenge the imagination, Mr. Crain points out. Today the WC laws of the 50 states and District of Columbia, along with the U. S. longshoremen's and harborworkers' act, are so complex that it is virtually impossible for one individual to be thoroughly conversant with them and their administrative interpretations and court decisions. Most state legislatures meet regularly every two years and change the laws.

These laws may be compulsory or elective, Mr. Crain observes. Under the compulsory law, every employer subject to it is required to comply with its provisions for the compensation of work injuries. An elective law is one in which the employer has the option of either accepting or rejecting the act, but in case he rejects it, he loses the customary common law defenses—assumed risk of the employment, negligence of fellow servants, and contributory negligence.

In most states some employments are exempted from compulsory or elective coverage and in some states they may be brought under the law through the voluntary acceptance of the employer. In order to make certain that benefit payments will be made when due, the covered employer is required by law to obtain insurance, or to give proof of his qualifications to carry his own risk by self insurance.

Some of the laws provide for state fund insurers, either exclusively or competitively. When the system is exclusive, employers are required to insure their risks in the state fund. If competitive, they may choose whether they will insure in the state fund or a private insurer. In both cases provisions are made in many states to permit a qualified employer to self insure.

A violation, even if inadvertent, particularly when it is coupled with a serious employe injury, may impose a serious penalty on the employer, Mr. Crain states. The penalties for noncompliance vary from state to state. One or two injured employes could precipitate an uninsured loss of $500,000, even though the employer had followed standard procedures in purchasing his WC insurance.

It is the usual practice when writing a WC policy to list in item 3 of the declaration those states where the employer has regular work locations. The insurance company then makes filings with the WC commissions of those states on behalf of the employer. In addition, endorsements such as the following may be added to the policy:

Endorsements

1. All States Endorsement to reimburse the employer for benefits that ought be required of him under the WC occupational disease law of any state (except Arizona and the seven monopolistic state fund states) where the policy does not already give statutory coverage.

2. Voluntary Compensation Endorsement to provide for voluntary payment of WC benefits to certain groups of employes, such as executive officers and domestics who may not be under the mandatory provisions of a state WC law.

3. Additional Medical Coverage Endorsement to provide medical coverage above the amount provided by the WC act of the state involved.

4. U. S. Longshoremen's and Harborworker's Compensation Act Endorsement to pay benefits under this act where the employment might be maritime and a state WC law will not provide a remedy.

Rarely is the employer warned by anyone concerning the limitations of this procedure. Even when he is warned, the probability of trouble is glossed over and the magnitude of a possible uninsured loss is not carefully explained, Mr. Crain writes.

To overcome these pitfalls, more nearly perfect procedures should be developed and the employer should be made to understand how he can minimize the chance of a large uninsured loss. The dangers inherent in the usual WC insurance program stem from the basic principles of most WC laws.

Amenability to a WC law is usually based on an employer having a minimum number of employes or engaging in certain hazardous employments, Mr. Crain observes. The definitions of these specifications are often vague. Hence, employers may be amenable and not realize it. In some states it is not clear whether the minimum number of employes must be within the state; sometimes all employes wherever located, are counted. The definition of hazardous employment changes from time to time, either by statute or administrative ruling.

Penalties Listed

If an employer, amenable to a WC law, fails to provide WC insurance, he is subject to severe penalties:

(a) Substantial fines—as high as $500 per day or 50% of the cost of the accident, or 10 times the normal premium for that period he failed to cover, or imprisonment, or both.

(b) The policy excludes coverage for claims of the following type: The injured employe may elect to claim damages under the common law rules of employers' liability, but with the three normal employer defenses waived. The net effect is absolute liability from a practical viewpoint and

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Society Expects Insurance To Do Larger Job—And Will Insist On It

The insurance policy forms the cement that holds the structure of modern society together. It is an "insurance age," Spencer L. Kimball, professor of law at University of Michigan, told the forum in Philadelphia with which American Institute celebrated the opening of its new headquarters in Bryn Mawr, Pa.

Undoubtedly the rapid evolution in knowledge about and control over the physical world is the main cause of the changes taking place in the social fabric, he said. Undoubtedly insurance is consequence and not cause. But insurance is the most characteristic consequence, and it is the one that is demanded, that is inexorably compelled by the evolution of society, in order to make the whole work, he said.

Mr. Kimball was asked to describe the far-reaching effects of a changing social life upon the enormous, and enormously important, insurance enterprise. The title of his talk was "Insurance and the Evolution of Public Policy." He said he meant by "public policy" what society wants, or rather what those individuals in society want who are sufficiently articulate to make their demands known.

What The Public Wants

What the public wants and what the public ought to want are not necessarily the same thing, he said. Public policy is what the public wants. It is closely related to law, but it is not the same thing as law. No specific statute or judicial decision expresses public policy. To describe or define public policy one must read between lines and generalize from a mass of related statutes and decisions in order to ascertain the purpose society has and what it seeks by the laws it creates.

Public policy is not static but in constant flux, he said. Society changes as its purposes change. Those of conservative instincts may regret the changes, but to deny their existence is to play the ostrich. Public policy is not stable. Law is not stable. The present conformations of public policy and the direction of movement of public policy can be understood only if the constancy and the rate of change are appreciated. Nowhere is this more true than in insurance, for insurance lies close to the focus of contemporary life.

Consequence, Not Cause

Legal history demonstrates, he said, that the primary moving force in the interplay of society and law is society, not law. The law is mainly consequence, not cause. It is, in general, responsive, not creative. The nature of law is to control, confine, channel, and alter the direction of human activity.

The crucial and important role in economic life played by insurance is as the guarantor of security of all kinds, Mr. Kimball pointed out. But even more important because it colors the whole development of the law with respect to insurance is its psychological role.

Man not only needs insurance for economic reasons, Mr. Kimball said. He needs it because he needs to feel

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NAMIA Well On Way To 10,000 Membership Goal

With less than 60 days before the annual convention of National Assn. of Mutual Insurance Agents, Oct. 16-18 in Detroit, NAMIA is within 500 of its goal of 10,000 members. Wilson Flock of Kingston, Pa., membership chairman, is conducting the drive to reach 10,000. Many of the 35 state associations have membership campaigns under way.

Washington headquarters is assisting by putting its membership record keeping on an electronic system. This provides virtually instantaneous reports on the change in status of state associations, plus the possibility of mailing on short notice. Two prizes are being offered, $200 to the association with the largest numerical increase, and $200 to the one with the largest percentage increase.

President George R. McKiever of Miami will recommend for the coming year a vigorous membership-building program. A great many agents across the country would join the association if properly solicited, he said.

Suggests Ways To Reduce The Growing Volume Of Paper Work In WC Field

The multiplicity of forms is the major deterrent to the efficient and economical administration of the workmen's compensation system, V. S. Davidson, assistant secretary of Aetna Casualty, reported at a meeting of International Assn. of Industrial Accident Boards & Commissions. There are nearly 200 different statutory or administrative forms required for reporting accidents and supplemental data to state boards of commissions.

The number would be much higher except for the IAIABC standard SF 1 form adopted in several states, he said. One state requires 31 different forms. Several require as many as 10. Yet only one to three such forms have been found necessary in a few jurisdictions.

Recommends a Review

He recommended that each administrative official make a searching review of all forms currently required in his state. Many of these forms have been put into use by administrative order and can be discounted if they are not serving an essential purpose or if there is duplication. Some statutory forms are archaic or unnecessary and ought to be changed or eliminated.

Those states requiring temporary agreements and final receipts to be signed by claimants should consider removing these deterrents to prompt payment of compensation, Mr. Davidson commented. When the claim man encounters difficulty in locating a claimant for his signature, the first cr final compensation payment may be delayed. The expense of making these personal contacts indirectly reduces the workmen's share of the compensation dollar. Most jurisdictions exercise necessary control of the payment of benefits by requiring that insurers and self-insured file forms with the state, with copies to claimants.

Any thorough review of existing forms should result in simplification of language and elimination of questions that call for information that is not being used, he added. Employers' report forms must frequently be completed by persons of limited education; e.g., the timekeeper of a construction gang or proprietor of a cafe. Complex forms only serve to bewilder such people and do a disservice to the compilation of accurate information and statistics. One large concern with work crews in several states has all its foremen submit accident reports to its home office on the relatively simple SF 1-1952 form. Then a highly qualified employe completes and files reports on the divergent and more complicated forms of the respective states. This additional work was deemed necessary to meet the reporting requirements in the various states. Certainly a simplified standard form would be a money saver for this firm.

When unnecessary forms have been weeded out, the revision of remaining forms should be in the direction of standardization among states, he advised. The use of standardized forms not only represents an economy to insurers and self-insurers, but it facilitates the interchange of statistics among the several jurisdictions.

The saving to industry would go far beyond the cost of printing and stocking the great variety of forms, although that is quite an item in itself. Each additional form complicates the processing of work and increases exposure to error. The more exceptions there are in handling mass volume of work the more costly it is to train new employes and the more it retards high clerical productivity. Standardized forms would go a long way toward removing roadblocks to the smooth operation and use of electronic data processing machines.

A degree of standardization has been achieved in the field of WC coverage forms. The standard policy and many standard endorsements are acceptable in all states. However, 31 states have their own filing and cancellation notices and all but 11 states require employers to post notices of compliance with the compensation law. If these three cannot be eliminated, he said, it should be possible to agree upon standard forms. Perhaps the IAIABC is the proper forum to coordinate states' efforts in the preparation and adoption of standard forms.

Don't Need Notice

When compensation laws were first enacted the posting notice served the useful purpose of informing employes of their newly created rights, he said. Today, however, the all inclusive scope of WC laws has brought about a general understanding by employes and the general public that benefits are available and payable to injured

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Minneapolis Agents Elect

Ed. Sivright

Ed. Sivright is the newly elected president of Insurance Agents of Greater Minneapolis, succeeding Howard J. Dumphy. Ellis Peilen is vice-president; Miss Violet Schutta is secretary-treasurer, and Mrs. Gertrude Sirois is executive secretary.

Pacific Indemnity Becoming Aggressive In Accident Field

Pacific Indemnity group is entering the accident insurance field in a majority of states and is introducing several new competitive policies. Several years ago the company entered the accident insurance field with a competitive trip accident policy and later offered a flexible contract which proved successful in a limited territory. Now available in all territories in which Pacific Indemnity operates is the new "DPA" personal accident policy, a schedule type contract featuring lifetime indemnity and available to virtually all occupational classes; a new "DSG" group business travel accident policy, permitting employers to cover selected classes of employes for limits and hazards deemed prudent; the "PIC" policy, in which the individual may select whatever coverages are desired at competitive rates and featuring optional high limits; and the trip accident policy.

To launch the new accident insurance program, the group is sponsoring a "Partners-in-Progress" sales campaign from September through December with incentives for everyone.

Scholl To Indianapolis Regional Office Of GAB

H. W. Scholl has been appointed regional manager at Indianapolis of General Adjustment Bureau. He succeeds Charles E. Porter Jr., who on Oct. 1 becomes executive manager at the Chicago departmental office.

Mr. Scholl has been with GAB at Racine and Milwaukee, becoming manager at Racine in 1957 and manager at Milwaukee in 1959.

III Has Display Material For Exhibition Booths

Insurance Information Institute has developed a display kit to aid field organizations and agents' associations in decorating exhibition booths. The kit contains decorative background materials which can be arranged to fit available display space. Those using it will provide supplementary props and materials. Visitor participation will be encouraged by devices designed to test knowledge of and reaction to highway and fire safety problems.

The material is available free—through III, 60 John Street, New York 38—to field organizations and agency associations that have agreed to sponsor an exhibit booth.

Wis. Agents Set Agenda

"A Forward Look in Insurance" will be the theme of the annual convention of Wisconsin Assn. of Insurance Agents Oct. 3-5 at Milwaukee.

Gordon Nereim, vice-president of Performance Incentives Inc., Chicago, will be the keynote speaker. Roy A. Duffus, Rochester agent, will discuss managerial efficiency. Clifford Reckling, editor the Weekly Underwriter, will analyze company-agent relations. Valmore Forcier, advertising coordinator of NAIA, will describe effective ad programs. Richard Heins, professor at the University of Wisconsin, will view state vs federal regulation. The concluding speaker will be Calvin D. Johnson.

A&S Auto Installment Form

Resolute is offering a bonus A&S cover in connection with installment sales of new and used cars. The benefits are incorporated in credit life without additional cost.

The cover is designed to eliminate losses on repossession for the lienholder and auto dealer, while affording protection for the customer. No physical examination or occupational restrictions are involved.

Chambers President Of Marathon And Spartan

John E. Chambers has been elected president of Marathon and Spartan of the Pacific Finance Corp. group. He has been vice-president of Marathon and Olympic since 1955, and vice-president and manager of Spartan since it was formed in 1960.

J. E. Chambers

Mr. Chambers began his insurance career with Motors at El Paso in 1934 and was with that company as an adjuster and manager in Albuquerque until 1947 when he joined Marathon at Dallas as assistant Texas manager.

Md. Ready For Annual

Maryland Assn. of Insurance Agents will hold its silver anniversary convention at the Emerson Hotel in Baltimore Oct. 16-17. The program will feature a panel of agents discussing current problems in the agency field.

Archie Slawsby of Nashua, N. H., past president of NAIA, will discuss agency advertising; Abner Benisch of Newark, agency mergers; Robert A. Brown of Waterloo, Ia., statistical accounting; Joseph E. Vincent, Bryan, Tex., agency cost analysis, and Arthur M. O'Connell of Cincinnati, solicitor control. Robert Burns of American Agency Management Bureau, Washington, will moderate the panel.

George W. Nordhaus, executive secretary of the Tennessee association, will discuss public relations.

Eagles Winds Up Career

Arthur N. Eagles, director of Hartford Fire's home office training center since it was organized in 1946, has retired.

Mr. Eagles joined the company in 1929 in New York and was engaged in fire rating, underwriting and engineering. He was transferred to Hartford in 1946. He has lectured extensively on insurance topics.

Weathersby Moves To Ill.

Willard A. Weathersby Jr., special agent in Tennessee, is being transferred to Springfield, Ill., by National Fire. Mr. Weathersby was in the local agency business in Pompano Beach, Fla., and Memphis before he joined National Fire in 1960.

Name Committee To Guide R-E-R Program In Cal.

Another major step in accelerating the R-E-R (recruitment, employment and retention of insurance personnel) program in southern California has been in the appointment of an executive committee to provide guidance and coordination to the some 20 pro- comprising the general R-E-R committee.

The executive committee, John T. Gurash, president Pacific Employers, chairman, includes Robert Battles, vice-president R. A. Rowan & Co.; Ira Brander, Kuhrts Cox & Brander; Clarence R. Herda, president Pacific Indemnity; Ralph L. Inglis, vice-president Automobile Club of Southern California; Bert J. Lynch, Marsh & McLennan-Cosgrove & Co.; James M. Smith, executive director Farmers Insurance group; Clarence J. Weiss, regional manager Allstate, and Walter P. White, general manager Aetna Casualty at Los Angeles.

Secretary to the executive committee is Albert H. Wood, executive director Western Insurance Information Service, and serving as liaison between that committee and the cooperating organizations is E. C. Rhodes, president Insurance Brokers Society of Southern California. Dr. Gilbert Brighouse, educator, has been invited to act as consultant.

At its first meeting at Los Angeles, the executive committee lauded the three-phase program adopted at the general meeting and appointed a subcommittee to prepare an initial outline of action on matters of high priority. Each of the cooperating organizations will be asked to undertake portions of the overall program, particularly in the areas of establishing closer liaison with student and teacher groups, the preparation of speech and leaflet material, the sampling of attitudes and the development of a speakers bureau.

Postpone Consideration of EC Filing In Oklahoma

Oklahoma Insurance Board will not act on a proposed windstorm and hail filing until similar filings are offered for homeowners and fire insurance. Commissioner Joe B. Hunt said he would like to see all three filings at the same time so that "everything can be considered across the board." The wind and hail proposal, seeking a 21.6% increase in rates, did not apply directly to homeowners or fire. It had been intended to make this the bellwether filing.

In addition to a rate increase, Oklahoma Inspection Bureau is recommending a mandatory $50 deductible on wind and hail. Manager L. E. Antene of the bureau told the board that Oklahoma is a catastrophe state for wind and hail. There have been five catastrophic years in the last 14.

Agents opposed the mandatory deductible. At the board hearing at which the postponement was decided. Carroll Swickey, executive secretary of the stock agents association, said the optional deductible is preferable.

Exhibit Shows Premium Advantages In Michigan

The Michigan department is sponsor- troit demonstrating the favorable pre- ing an exhibit at the state fair in De- mium position of Michigan insured compared with insured in other states.

The exhibit shows that motorists in Michigan pay $91 less yearly for their auto coverage than the average for six other of the largest states and $42 less than the national average. Homeowners pay $14 less for full protection than the average for 11 neighboring states. Workmen's compensation ranges from 60 cents to $2.40 less per $100 of payroll than the average for similar employment in comparable states.

The exhibit is staffed by Detroit Assn. of Insurance Agents.

Wis. Surplus Lines Law Is Signed

Gov. Nelson has signed the new Wisconsin surplus lines and unauthorized insurance law. It contains a service of process provision allowing the commissioner to start an action against the company in its home state through that state's secretary of state or insurance commissioner.

Surplus lines agents will be charged an annual fee of $100 and will be responsible for submitting necessary forms to the commissioner and collecting the 3% premium tax. The latter feature is expected to add $100,000 annually to the state's revenue.

Hedreen Takes Over NW General Agents Presidency

Guy N. Hedreen, Groninger & Co., has succeeded to the presidency of Northwest General Agents Assn. He takes over from Stuart G. Thompson Jr. who was elected at the annual meeting last January and who has resigned following acquisition of Stuart G. Thompson Co. by Great American. Mr. Hedreen has been vice-president of the northwest association. He also succeeds Mr. Thompson on the Washington advisory committee.

Suggests Steps To Better Public Image

Tom C. Ferguson, chairman Texas Board of Insurance, commented in a speech recently that though the public entrusts large amounts of money to the business in premiums, the public image of companies is still an unfavorable one. He suggested the following corrective steps:

—Keep insured informed of their exact coverage.

—Work for greater cooperation between insurer and insured.

—Give prompt attention to claims, and use claims work to "make friends."

—In advertising, describe how companies serve public interest by guaranteeing ability to meet loss and by contributing through investment to the nation's growth and economic stability.

—Act more severely to rid the industry of undesirable elements and practices.

Interstate F. & C. Had Good Results In Half

Interstate Fire & Casualty and Chicago Ins. had earned premiums of $2,872,639 for the six months ending June 30. This was a 53% increase over the $1,884,161 reported for the same period in 1960. Adjusted net income for the period totaled $187,981 or 84 cents per share compared with $117,477 or 52 cents per share for the first six months last year. The companies' combined loss and loss-expense ratio for the six-month period was 56% compared with 67% a year ago.

Managing Skill In Automation Is Seen Lacking By Expert In Field

Automation and its implications have provided a speech topic with built in controversial appeal for several years in the insurance business. In line with its quaint custom of considering almost every problem as peculiar to itself, the business seems to think that it has a headlock on automation as a debatable issue. It may surprise many in insurance to learn that every major business in the U. S. has "automation headaches."

One phase of automation is of particular concern to all American business: lack of effective machine accounting management in most of the nation's 35,000 installations. Arnold E. Keller, editor of the magazine Management & Business Automation, is authority for that statement.

Mr. Keller points out that many installations are operating below payoff efficiency. Overtime costs are excessive. The rate of personnel turnover is incredible. A common complaint from top management is that the installations have never produced the anticipated results.

Technicians Not Paramount

Some insurer managements—which may have machine accounting problems—may take from the foregoing comments the dubious form of comfort inherent in "misery loves company." Even those agents who can see no merits in automated procedures (unless they, instead of the company, control them) may be surprised to learn that automation is not a bogeyman created solely to scare them.

Mr. Keller thinks that the conditions he describes constitute a strong indictment of the machine accounting profession. They clearly indicate to him that a good share of machine accountants have failed to accept or fulfill their "managerial responsibilities." In short, the machine accounting manager has not been a good steward, in his view.

There is no doubt that the average machine accountant is a hard working, dedicated individual with a wealth of technical know-how, Mr. Keller concedes. But technical talent, though necessary, is not the key requirement for an effective installation. Most machine accountants have been late in realizing that technical ability is not the indispensable asset it was once thought to be. Technicians are available in abundance, but top management is rapidly becoming disenchanted with the technical "hot-shot" as a department manager.

Management Is Key

What Mr. Keller is saying, in effect, is that a company will have trouble if it has machines that can spew out tons of paper but does not have a department head with at least an ounce of managerial sense. In automation—as in every other area of business, including insurance—it is management that makes the difference.

Due to lack of accurate written procedures, "reruns" are the major product of many installations. The wastepaper baskets in a "tab" department have the largest spill-over of any to be found in an organization, according to Mr. Keller.

He says: "It is the lack of proper schedules that causes the tremendous overtime burden in machine accounting. True, as in any production operation, some overtime is inevitable. But isn't it strange that in most firms, when every other department is locked up for the night, the week end, or for a holiday, the machine accounting department is a constant scene of action—most of it unnecessary and all of it costly?

Amazingly, few machine accountants are aware of the cost of their operation. Fewer still have any records to justify the existence of their operation from a cost standpoint. They cannot, for example, define the cost of

(CONTINUED ON PAGE 16)

Harleysville Mutual Determines Its Image By Realistic Study

As a result of its "corporate image" study conducted among agents and policyholders, Harleysville Mutual group has decided to become a fully integrated, all lines operation. The firm also decided to operate in all 50 states within the next 10 to 15 years, depending upon financial conditions and availability of personnel.

The study revealed that the typical Harleysville agent is 46 and has an average annual premium volume of approximately $81,000. He represents 5.8 insurers and has been a Harleysville agent for 13.5 years. One of 10 has represented the company for 30 years or more. One of three is also in real estate.

The typical agent is married, owns his home and at least one car. One of three has two cars. He has auto insurance and homeowners and most have life protection, though some do not. Nearly 50% do not have A&S.

The typical agent rates Harleysville's prompt claim service as its strongest point. Low premiums are rated second, followed by good relations with the company, square dealing, and "good premium deviation and good rate structure."

Acts On Criticism

Since the survey showed agents tended to see the company as being quite limited in certain facilities, personnel, lines and territorial coverage, Harleysville is taking immediate and long range steps to correct these deficiencies.

Among the ideal qualities of an insurer, the first five named by agents were dependable, aggressive, reliable, progressive and honest. These were also selected as the five leading terms most descriptive of Harleysville, although in slightly different order.

The typical Harleysville policyholder is just over 40. One of five is female and four of five are married with an average of one child. Two of five have no children. The typical policyholder has had a Harleysville policy 8.5 years. He has auto coverage and almost 50% have homeowners. Only a few have no life protection.

Asked to place emphasis on 10 statements about the company, the policyholder surprisingly put the least importance on the fact that it has lower premium rates than competitors. The company's impressive growth was ranked first, and its interest in the welfare of policyholders followed.

Other Policyholder Reactions

Slightly more than 50% recalled specific experience in claims or settlements with the company and almost all rated the transactions as favorable, with only 3% voicing criticism. Only a few policyholders knew the meaning of such terms as casualty, indemnity, liability, mutual, or nonassessable.

The policyholder rates prompt overall service as the company's strongest point, followed closely by prompt claim service. Next mentioned were lower rates and good agents. The matter of rates ranked higher in this section of the study than in the section where policyholders were asked to put emphasis on 10 statements about the organization.

Few Harleysville policyholders associate the company with life, A&S, workmen's compensation, marine and inland marine. Only a few mentioned any company weak points. Poor claims service, insufficient advertising, too-high rates and limited territorial coverage were the complaints of this infinitesimal number of policyholders.

Asked for reasons why they selected Harleysville as an insurer, policyholders replied in this order: Company was recommended by friend; lower rates; personal relationship with agent; recommendation by agent, and good company reputation.

In summary, the survey showed that both agents and policyholders are generally pleased with their association and dealings with the company. In the areas in which both groups were frankly critical, the company has already undertaken rectifying programs where warranted.

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Zurich Moves U.S. Headquarters

The U. S. head office of Zurich moved over the Labor Day weekend to the new LaSalle-Jackson Building, 111 West Jackson Boulevard, Chicago. The new telephone number is 922-3124 Zurich has been in the Field Building on LaSalle Street. It is the second large insurance tenant to leave there, the other being the western department of America Fore, which is in its own building at 360 West Jackson, on the Chicago River.

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A Course For Insurance Buyers

A course for insurance buyers from throughout the United States is being offered for the 10th time by Mutual Insurance Institute, a division of Kemper group. The course, the only one sponsored by an insurance organization for insurance buyers of large corporations, will be conducted Oct. 2-14. Students will learn how to analyze the financial statement of an insurance company and judge its stability, how to analyze an insurance policy, how to compute premiums under retrospective rating forms and how to reduce insurance costs through safety engineering and accident prevention. Instruction is also given in basic principles of tort and contract law.

American Casualty Expands In Mo., Kan.

American Casualty's Kansas City, Mo., branch has been expanded to provide complete multiple line facilities in Missouri and Kansas. Everett Hosford is resident manager.

Robert Reed has been added to the staff as a field representative. Carl Parker has been named property manager to succeed James Cooper, who has been named head of the new Wichita service office. This office will serve southern and western Kansas. Mr. Cooper will be assisted by Richard Lauer, special representative. Harold Shea is claims manager.

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Moss Advanced At New York

Charles Moss Jr. has been appointed assistant claim manager of the New York office of Standard Accident. He began his insurance career in 1952 and joined Standard Accident in 1956 as a claims representative at New York. In 1958 he was transferred to Bridgeport, Conn. He returned to New York in 1959 as a claims supervisor in the New York territory.

Increased Limits, Auto Rate Mutual Changes

Mutual Bureau has revised auto liability increased limits tables and medical payments rates, effective Sept. 1, in the following areas: Alabama, Arizona, Arkansas, Connecticut, Delaware, Kentucky, Maine, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, Dakota, Utah, Vermont, Washington, West Virginia and Wyoming.

In states with FR limits of 5/10, the manual rates will continue to be printed on that basis. Tables are being revised for these states so that lower factors will apply for limits of 10/20. In states with at least 10/20 limits, the rates will still be printed on that basis, and the revised charges for 10/20 will be approximately 5% lower.

Other Revisions

The revised program, which applies to BI, will not produce an over-all change in the rate level, since high factors are proposed for higher limits. There have been no changes in the percentages applicable to PDL increased limits.

On medical payments, the rate tables have been transferred from the auto casualty manual to the state rate sheets. The rates are revised and vary by state.

The bureau has revised auto liability rates Sept. 1 on private passenger, commercial and division 1 garage risks. The changes in the states affected on these three classes in order are: Arizona, -.8%, -3.9% and -10.6%; District of Columbia, no change, -15.6 and no change; New Mexico, 12.4%, and 5.2%; Pennsylvania, 2.3%, no change, and 5.3%; and Vermont, no change, 5.5% and 6.3%.

The bureau is introducing Sept. 1 in Arizona and New Mexico its package auto program.

International Aviation Unds. Moves Home Office to Dallas

The home office of International Aviation Underwriters has been moved from Los Angeles to Dallas, with headquarters in the 211 North Ervay Building.


P. G. Spexarth

Phil G. Spexarth has been elected vice-president and moved to Dallas from California where he was manager of the Los Angeles branch office. Mr. Spexarth will supervise production plus the operation of the Dallas branch.

International Aviation Underwriters are aviation insurance managers for a group of stock companies.

Mr. Spexarth, who has been flying since 1939, holds a private pilot's license. In 1945 he joined Hansen & Rowland, Tacoma brokers, as aviation manager.

International Aviation Underwriters maintains branch offices in Los Angeles and San Francisco. Additional branches offices will be opened soon in Chicago and New York. The Dallas branch will service Texas, Oklahoma, Kansas, Missouri, Arkansas, and Louisiana.

W. M. Ritter, president Preferred Risk group, has been elected a director of Investment Policies of Minneapolis. Investment Policies provides mutual investment programs for life companies, which distribute the funds through their own sales organizations. Preferred Risk has been associated with Investment Policies for two years.

Curlee In No. 2 Post At Preferred Of Mich.

Alfred T. Curlee has been appointed assistant executive officer of Preferred of Grand Rapids. He is a vice-president. Wendell Berman is chairman and chief executive officer.


A. T. Curlee

Mr. Curlee joined Preferred in 1960 as assistant vice-president and production manager Later that year he was elected vice-president of Southwestern Indemnity. He has also served as director of agencies for both companies.

Before joining Preferred, Mr. Curlee was with Royal-Globe group, finally as head of country-wide production planning.

International Claim Assn. Annual Meeting Program Is Completed

The program has been completed for the annual meeting of International Claim Assn. at White Sulphur Springs, Va., Sept. 17-20.

Registration will begin on Sunday. The business meeting the following day will open with the presidential address by Herman H. Bijesse, 2nd vice-president of Guardian Life. Other speakers that day will include John L. Cameron, president of Guardian Life, who will discuss the continuing need for personal contact between insurers and policyholders in the face of automation, and Dr. Charles P. Bailey, chairman and professor of surgery of Flower and Fifth Avenue Hospitals, New York, who will describe the evolution of cardio-vascular surgery.

On Tuesday there will be two workshops—one on group insurance with Edmund W. Sours, claims secretary of Aetna Life, as chairman and the other on health insurance headed by Douglas N. Morrison, assistant claims secretary of Aetna Life.

Also on Tuesday, there will be speeches by Thomas R. Reid, civic and governmental affairs manager of Ford Motor Co., speaking on the need for participation by business men in community affairs, and Sylvester C. Smith Jr., general counsel of Prudential, who will discuss modern law and practice.

A workshop on health insurance on Wednesday will have as chairman Fred R. Gibney, associate general manager of Prudential. Election of officers will close the meeting.

Bad Six Months For Bituminous Casualty

A combination of shock losses and greatly increased compensation losses resulting from the economic downturn of 1960 and early 1961 has resulted in the most adverse loss ratio Bituminous Casualty has experienced in many years, it was reported at the quarterly meeting of directors.

Underwriting loss for the first six months of 1961 was $2,561,000 after policyholder dividends and before tax adjustments. Net income from investment operations, including profit on sales of bonds and stocks, increased to $939,000 from $749,000 during the period, resulting in a net operating loss of $1,622,000 before tax adjustments. Surplus to policyholders decreased from $13,590,000 to $13,095,000, while assets increased $3,113,000 for the six months and now stand at $66,599,000. The six-month underwriting loss of 12.33% compares with a gain for the same period last year of 2.41% on a combined basis of losses incurred and loss adjustment expenses to premiums earned and other expenses to premiums written.

Merchants Mutual Names Two; Ora Huntoon Retires

Merchants Mutual has named Earl Wagenbaur production manager for New England, with headquarters at Boston. Edward Cofran has been appointed office manager there.

Mr. Wagenbaur has been with the company since 1924, and Mr. Cofran since 1931.

Ora Huntoon, has retired as manager of the New England department after 35 years with the organization.

U. S. Executives To Go To Hemispheric Meet

More than 30 U.S. insurance executives will attend the Hemispheric Insurance Conference October 23-29 in Lima, Peru, under the sponsorship of the U.S. Chamber of Commerce. Insurance Assn. of Peru is host to the conference.

Head of the U.S. delegation will be James O. Nichols, chairman of the U.S. chamber's Hemispheric Insurance Conference committee and president American Foreign Insurance Assn. Delegation vice-chairman will be E. A. G. Manton, president American International Underwriters. A. L. Kirkpatrick, manager of the chamber's insurance department, is permanent secretary of the conference.

Some 300 insurance executives from countries in the western hemisphere are expected to attend. Major interest at the conference will revolve around the alliance for progress program and the part which private insurance companies of Latin America can play in the economic and social development of their countries.

Bulkley Retires

Grant Bulkley, vice-president in charge of claims of Springfield-Monarch, has retired after 31 years of service. Fellow officers and associates honored him at a retirement party in Springfield.

Mr. Bulkley is past president of Loss Executives Assn. and New England Claim Executives Conference. He had served on committees of National Board and on the conference committee of General Adjustment Bureau. He became secretary of Springfield F.&M. in 1930 and vice-president in 1939.

Conventions

Sept. 10-12, Kentucky mutual agents, annual, Kentucky Hotel, Louisville.

Sept. 10-12, New Hampshire agents, annual, The Balsams, Dixville Notch.

Sept. 11-12, Minnesota mutual agents, annual, Radisson Hotel, Minneapolis.

Sept. 11-12, Utah agents, annual, Newhouse Hotel, Salt Lake City.

Sept. 13-15, Minnesota agents, annual, Kahler Hotel, Rochester.

Sept. 14-15, Conference of Mutual Casualty Companies, sales & agency conference, Conrad Hilton Hotel, Chicago.

Sept. 14-16, Oregon agents, annual, Eugene Hotel, Eugene.

Sept. 17-19, Indiana mutual agents, annual, Marott Hotel, Indianapolis.

Sept. 17-19, West Virginia mutual agents, annual, Frederick Hotel, Huntington.

Sept. 17-20, Idaho agents, annual, Sun Valley Lodge, Sun Valley.

Sept. 17-20, International Claim Assn., annual, The Greenbrier, White Sulphur Springs, W. Va.

Sept. 18-19, Vermont agents, annual, Woodstock Inn, Woodstock.

Sept. 18-20, Michigan agents, annual, Grand Hotel, Mackinac Island.

Sept. 19-22, Mutual Loss Managers Conference, annual, Edgewater Beach Hotel, Chicago.

Sept. 20-21, Hoosierland Rating Bureau & ABC Service Bureau, annual, Marott Hotel and Highland Country Club, Indianapolis.

Sept. 20-22, Kansas mutual agents, annual, Jayhawk Hotel, Topeka.

Sept. 20-22, Washington agents, annual, Chinook Hotel, Yakima.

Sept. 25-27, National Assn. of Insurance Agents, annual, Dallas, Texas.

Sept. 27-29, Society of CPCU, annual, Sheraton Park Hotel, Washington, D. C.

Oct. 1-4, National Assn. of Mutual Insurance Companies, annual, Statler Hotel, New York City.

Oct. 2-4, Society of Insurance Accountants, annual, Equinox House, Manchester, Vt.

Oct. 3-5, Wisconsin agents, annual, Schroeder Hotel, Milwaukee.

Oct. 5-6, New England mutual agents, annual, Wentworth-by-the-Sea, Portsmouth, N. H.

Oct. 5-7, Arizona agents, annual, Bright Angel Lodge, Grand Canyon.

Oct. 8-11, North Carolina agents, annual, Carolina Hotel, Pinehurst.

Oct. 8-10, Missouri agents, annual, Governor Hotel, Jefferson City.

Oct. 8-11, National Assn. of Casualty & Surety Agents and National Assn. of Casualty & Surety Executives, annual, The Greenbrier, White Sulphur Springs, W. Va.

Oct. 10, Insurance Economics Society, annual, Edgewater Beach Hotel, Chicago.

Oct. 13-14, North Dakota agents, annual, Fargo.

Oct. 15-17, Kansas agents, annual, Broadview Hotel, Wichita.

Oct. 15-17, Maryland agents, midyear, Emerson Hotel, Baltimore.

Oct. 15-18, National Assn. of Mutual Agents, annual, Sheraton-Cadillac Hotel, Detroit.

Oct. 16, Rhode Island agents, annual, Sheraton Biltmore Hotel, Providence.

Oct. 16-18, Michigan mutual agents, annual, Sheraton-Cadillac Hotel, Detroit.

Oct. 17-18, Massachusetts agents, annual, Sheraton Plaza Hotel, Boston.

Oct. 19-21, Nevada agents, annual, Reno.

Oct. 19-22, Colorado agents, annual, Broadmoor Hotel, Colorado Springs.

Oct. 22-24, Ohio agents, annual, Deshler Hilton Hotel, Columbus.

Oct. 23-25, South Carolina agents, annual, Francis Marion Hotel, Charleston.

Oct. 23-29, Hemispheric Insurance Conference, Lima, Peru.

Oct. 25, National Independent Statistical Service, annual, La Salle Hotel, Chicago.

Oct. 29-31, Tennessee agents, annual, Andrew Jackson Hotel, Nashville.

Oct. 30-Nov. 1, California agents, annual, Biltmore Hotel, Los Angeles.

Nov. 2, Connecticut agents, annual, Statler-Hilton Hotel, Hartford.

Nov. 2-3, Nebraska agents, annual, Cornhusker Hotel, Lincoln.

Nov. 5-7, Illinois agents, annual, Chase & Park Plaza Hotels, St. Louis, Mo.

Nov. 8-10, American Management Assn., fall insurance conference, Drake Hotel, Chicago.

Nov. 12-14, Kentucky agents, annual, Kentucky Hotel, Louisville.

Nov. 12-15, Indiana agents, annual, Claypool Hotel, Indianapolis.

Nov. 13-14, Illinois mutual agents, annual, Pere Marquette Hotel, Peoria.

Nov. 13-15, Health Insurance Assn., individual insurance forum, Sheraton Hotel, Philadelphia.

Nov. 13-15, Mutual Insurance Technical Conference, Edgewater Beach Hotel, Chicago.

Nov. 13-16, National Assn. of Independent Insurers, annual, Hotel Biltmore, Los Angeles.

Nov. 15-17, Casualty Actuarial Society, annual, Palmer House, Chicago.

Nov. 16-17, Conference of Mutual Casualty Companies, accounting & statistical, office methods & personnel conference, Conrad Hilton Hotel, Chicago.

Fla. Assn. Sets Up Management Division

Florida Assn. of Insurance Agents has organized an agency management division at its Tampa headquarters office to provide a complete management service to members. Initially the division will concentrate on devising the best possible automation system and making that system available to members at cost.

Ultimately the association plans to broaden the scope of the management division to include an improved membership educational program and advice and counsel to the members on such things as office layout, work flow, personnel employment and training, selling practices, bookkeeping and legal aspects of agency ownership.

Robert R. Treweek of the Cannon agency, Gainesville, Fla., has been appointed to head the management division. He has resigned as treasurer of the agency to assume his new duties in Tampa Oct. 1.

Long Assigned To California

J. J. Long, who has completed training in the home office, has been assigned by Indiana Lumbermens Mutual to the Walnut Creek, Cal., branch to provide fire and casualty engineering and inspection service in that territory. Mr. Long, before joining Indiana Lumbermens, was with Royal-Globe group.

Crawford Joins New Zealand

R. A. Crawford has joined New Zealand at Denver as field man in the Colorado and Wyoming territories, assisting R. B. Woods Jr. Mr. Crawford has been with Zurich at Denver and in the local agency business there.

Employers Liability In Aid Plan For Agencies

Employers Liability is making available to agents its new Plan for a Man, designed to bring younger men into agencies to help meet competition, to increase sales and to perpetuate agencies.

The group has formulated a plan that includes training in the group school for agents. The group states that an "agreeable arrangement" for all parties concerned will be worked out on financing.

John Hughey Joins Oklahoma Department

John R. Hughey has been appointed a member of the staff of Joe B. Hunt, Oklahoma commissioner.

Mr. Hughey will serve as an attorney and securities analyst for the commissioner's office. He received his law degree from the University of Oklahoma, and was engaged in private practice at Hennessey, Okla., prior to his appointment.

Mr. Hughey replaces James W. Green as a member of Mr. Hunt's staff. Mr. Green has accepted a position with Old Security Life of Kansas City.

In his announcements of the appointment, Mr. Hunt noted that despite the fact that he has only seven men on his staff, he has had quite a turnover. The insurance industry has hired 10 of his staff members. Four became presidents of insurance companies, one an executive vice-president and two consulting actuaries. Three men of his present staff have been offered insurance company positions.

Mr. Hunt states that he is happy to see his trained personnel join the insurance profession.

Managing Skill Lacking In Automation

(CONTINUED FROM PAGE 10)

individual reports produced by the department. Though they operate, in effect, a service bureau for their company, they are unable to allocate the costs to the various departments they serve.

Insurer Action

Mr. Keller's report on top management's growing impatience with machine accounting setups is borne out by the action of an eastern insurer as reported in the Manager's Letter of American Management Assn.

Caught between rising costs of the machine accounting department and the supervisors' complaint that it had too few people and/or machines, the company decided to take a close look at both people and machines. It assigned "work sampling technicians"—recent high school graduates who received three weeks' concentrated training—to each section of the department for a three- or four-week period. Machines and operators were studied separately during both slack and busy periods.

The findings, which indicated very low utilization of personnel and machines in relation to the scheduled workload, surprised even the suspicious management. Operators were spending too much time on non-machine operations, such as conferences and instruction sessions. The result was low productivity for both operators and machines, and excessive overtime in all sections.

With the facts in hand, the insurer management tackled the situation. Better instructions and procedures drastically cut employes' non-productive time; built in control programs increased man/machine utilization. In less than six months, machine use was up 17%. A monthly saving of more than $3,800 was realized by the release of 18 machines. Employe productivity was up, with the same number of people doing more work. Reports went out much faster and a serious time gap in relaying vital information was closed.

Sees Opportunities

In this department, all of the problems were traced to a lack of managerial ability. That would also be true of a good share of the country's installations, in Mr. Keller's view.

He believes that machine accountants are equal to the challenge facing them if they will abandon catch-as-can operating philosophy and take advantage of tested management principles that are readily available. They must look at their installations, not as the extension of accounting or some other department, but as a separate and vital entity. It is really a data production operation, with facts and figures as input, and completed reports as output. All of the procedures, schedules, controls and techniques necessary to supervise a production line are equally important in a machine accounting installation.

The manager who grasps these tools and puts them to work is assuring himself of an important role in the future of data processing. That future is limitless once American business, including insurance, awakens to the fact that buttons are no substitute for brains and that management is the key to the payoff in automation as it is in every other phase of operation.

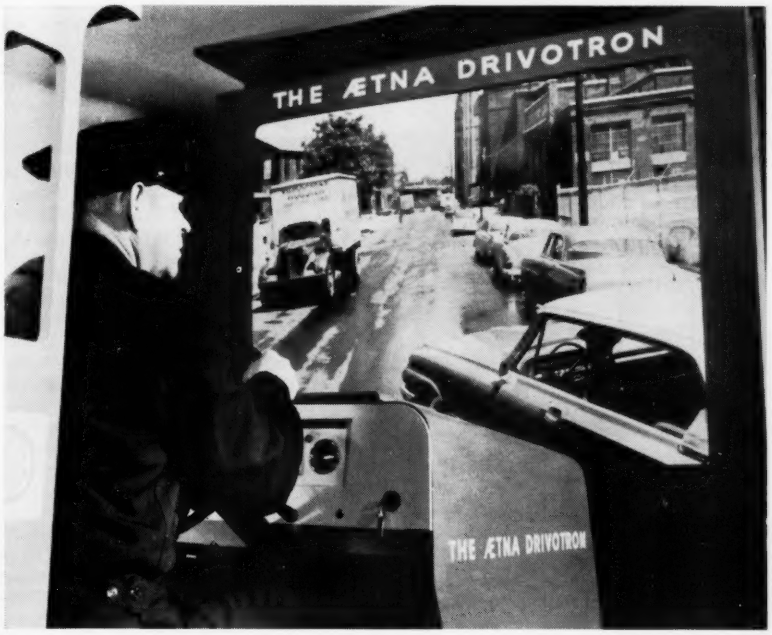
Ind. Holding Company Seeks 5 More Insurers

INDIANAPOLIS—Life & Finance Companies Inc., an insurance holding company, has launched a multi-million dollar program to gain control of at least five more Indiana insurance companies, John McGurk, president, has announced. He said negotiations have been started for purchase or merger with three life companies and two casualty companies. Life & Finance merged Crown National Life with Great Fidelity Life in 1959, and then gained control of Wabash Fire & Casualty. Mr. McGurk said his goal is to turn low-profit or no-profit operations into "substantial profit makers" while providing topflight insurance coverage to more policyholders."

Zurich Changes In N.J.

Zurich has appointed Bradford E. George sales representative and Eugene J. Bower senior casualty underwriter in the northern New Jersey branch office. Mr. George has been in the field for Aetna Casualty and Mr. Bower has been assistant to the chief underwriter at New York for General Accident.

Aetna Casualty Drivotron For Trucks Introduced



Driving at reduced speed because of wet pavement on the Aetna Casualty Drivatron's motion picture street, veteran truck driver Leland Hellestad stops in time to avoid simulated crash. Sponsored by Aetna Casualty in the interest of fleet safety for small trucks and passenger cars, Drivotron was introduced at the American Trucking Assn. national Truck Roadeo at Detroit. Mr. Hellestad, winner of last year's Roadeo in straight truck class, took a drive in the device prior to its unveiling. Featuring a unique scoring system that records every move a driver makes in handling a wide variety of traffic problems, the Drivotron is designed to evaluate a driver's attitudes, habits and skills, and to indicate areas where further training may be beneficial. Geared primarily for "straight" trucks up to 1½ tons and for car fleets, the Drivotron may be the first step in the development of other simulators that will serve heavy trucks and the trailer truck field. Producing realistic traffic situations in wide-screen color movies viewed from a mock-up of a truck cab, the Drivotron makes a continuous graph of driver actions similar in appearance to a cardiographic record of the heartbeat. The Drivotron cab is fully equipped with standard controls. The motion picture was filmed from a moving truck by Aetna Casualty's photographic bureau, using a "zoom" lens and special photographic techniques to increase the realism of sequences.

Mass. Brokers Elect

Massachusetts Special Brokers Assn. has been formed and has elected Arthur J. Anderson Jr. of OBrion, Russell & Co. president, Richard E. Willey of Maritime Underwriters secretary, and B. H. York of York & Co. treasurer. All are of Boston.

Maurice H. Saval, Boston broker and head of American Universal, is chairman of the governing committee. Thomas Black of the Congress agency, Hamilton T. Bailey, Neil Rice, and Joseph Duffy of OBrion, Russell & Co. are members.

The new organization grew out of changes in the surplus lines law, under which a special class of brokers was created for placing surplus business. The insurance department also has begun publication of an "approved" list of surplus insurers, which are the only ones permitted to do a surplus lines business in Massachusetts.

Three N. J. Agencies Merge

Three Passaic, N. J., agencies—Hughes & Bogart, Cullen-Schulting, and Parker agency—are consolidating and will operate as Cullen, Bogart, Parker agency. Offices will be in the present premises of Cullen-Schulting, 633 Maine Avenue.

Officers of the integrated organization will be Douglas J. Cullen, president; Gilbert D. Bogart Jr., and Stanley L. Briggs, vice-presidents; Gilbert D. Bogart Sr., treasurer, and Burton Parker, secretary.

General Agents' Membership Directory, Proceedings Available

The "Book of Proceedings" of the 1961 annual convention of American Assn. of Managing General Agents has been published and is now being distributed. It is a complete record of the AAMGA meeting at Phcenix, April 24-26. Copies of the proceedings as well as the new "Directory of Members" are both available from B. L. Udell, secretary-treasurer American Association of Managing General Agents, 31 Luhrs Arcade, Phoenix.

Agents See Little Effect From Brand Name Ads Of Insurers

THE NATIONAL UNDERWRITER has queried leading agents on what impact has been felt at the agency level from the accelerated efforts of traditional companies to establish their "brand names" through national consumer advertising. The agents were not asked for their opinions on such ad campaigns (although several advanced views pro and con). They were asked to describe the effect of the advertising in terms of their own agency's experience.

The agents replying represent the insurers which have led in determined efforts to establish their brand names.

A Danbury, Conn., agent reports that in spite of national ad programs, his customers do not request more frequently than in the past the coverage of a company advertising nationally.

When the customer does ask for the coverage of such a company and the agent does not represent it, the customer invariably accepts the agent's recommendation of one of his companies as the insurer. This agent has not had any resistance from his customer on this score.

He has not found the national advertising of his companies helpful to him in any way. He concedes that people in his community are now better acquainted than in the past with certain company names because of national ads. However, he attaches no particular significance to such recognition for the present, and doubts that it will mean much in the future.

Recommends Co-Op Ads

A Dallas agent reports that there is some increase in the frequency in which customers inquire about a company whose advertising they have read. He is inclined to think that the acceptance of his companies is eased because his customers have seen their national advertising.

When the question of placing insurance with a particular company doing national advertising arises, this agent finds little resistance to the fact that he might not represent such a company. His customers are interested in doing business with him because of their confidence in the agency, rather than insisting on a company whose advertising they have read.

Since his agency represents only large companies which are doing national advertising, he feels that more of his insured know the names of the companies with whom their insurance is placed than may be true in other instances where insurance is placed with less well-known companies.

There seems to be no question that his customers and prospects are now better acquainted than a few years ago with certain companies because of their advertising.

This agents reports that the Big I has been a major factor in meeting competition from direct writers and he would like to see more tie-in between the companies' national advertising and the Big I because they are both fighting the same competition.

Agent Is Guide

A southern California agent does not find his customers seeking the coverage of nationally advertised companies more frequently than in the past.

"Many times we have actually asked our customers if they have a preference as to companies and they universally state: 'Just be sure it's a good one, with claims service available wherever I may go, and of top financial condition.' A few have asked us what companies we represent; when we tell them, they shrug and say; 'You decide.' Even if we press for an answer as to why they ask, they don't seem to really know, or care.

"Out of six producers in our office, none has had an insured ask for a particular coverage from a company doing national advertising. We seem to be able to use any company.

"No insured has stated that the reason he came to see us was a result of reading a company advertisement."

The people in his community are better acquainted than formerly with Allstate and State Farm Mutual because they have their district offices there, and they do a substantial amount of advertising in the news-

paper, on billboards, and in the telephone directory. In this agent's opinion, the people in his community are not better acquainted with certain traditional company names because of national advertising. In reference to the future, it is his opinion that the traditional companies are facing a long and expensive task if their hope is to use national publications and the like in an effort to get the consumer to request their product.

Points Up Differences

This agent elaborated on the last point:

"Successful national advertising in other businesses is vastly different. The Chevrolet division of General Motors can advertise in national publications and on TV and get a response, for the consumer understands his need, and even knows specifically where to go to purchase the product.

However, a segment of the insurance agents are good salesmen, and even if an insured came in with a particular coverage and a particular company in mind, the agent would have no difficulty selling the client on a different coverage or a different company. We have had this experience with insured coming to us from another city or state, and asking for a coverage and/or a company he was formerly insured with. We have absolutely no problem switching him around.

"We feel that if the companies were to launch a campaign of identifying themselves with a particular agent or agents in the various localities and then advertise jointly, the ultimate consumer could be influenced by the company advertising on a national basis.

"The first step, it seems to us, is to so arrange the insurance companies' marketing facilities that it is to the agent's advantage to place approximately 75% of his volume with one company, then set out to create the image, in the consumer's mind, that the agent and the company are practically one and the same.

Recommends Change

"This can be done, and everyone would be better off. However, there will have to be some changes made within the companies in the vein of sales research, and an aggressive sales viewpoint from company management, coupled with a determination to dominate the market place, a willingness to give eight hours of hard work each and every day, with the lines of communication wide open between agents and company presidents.

"Some agents may feel this program would call for sacrificing their 'independence.' However, we feel that with approximately 500 companies doing business in California, our clients are relying on our judgment, and that with our producers out working every day, we would not only retain our independence but we could compete even with our own companies if a change in appointments became necessary.

"In summary, we, along with many, many other selling agencies, feel an urgent need for a company which would recognize the tremendous value of its sales division and then start operating on a true partnership basis, with both partners having a voice in decisions in executive session, banning lip-service and substituting enjoyable, remunerative and hard work."

A Michigan agent reports that national advertising by companies has not led to requests for their coverage in his office. His customers have never insisted on the policy of a particular company but depend on the agency for guidance. Moreover, he represents only "first-line, top rated" companies which advertise nationally, and his customers probably are familiar with them through advertising.

This agent notes that people in his community are better acquainted with certain company names than formerly because of national ads. But he qualifies this by observing that outside of Hartford Fire group, State Farm Mutual, Allstate, Aetna Casualty and Travelers, the general public is hardly aware that there are hundreds of solid companies in the business.

Some companies have made a start, but it is going to take eye-catching ads over many years in order to "set their profile" in the public mind. It can be done, this agent opines, but whether the expense is worth the struggle remains to be seen.

Federated Mutual I. & H. Names Wagner And Vice

Federated Mutual Implement & Hardware of Minnesota has named Earl Wagner manager at Richmond, Va. Mr. Wagner succeeds A. W. Kiesner, who died recently.

C. S. Vice, who has been regional sales manager at Kansas City, has been promoted to general sales manager for the central division, consisting of seven states, and will have his headquarters at the home office.

Cudd & Coan Agency Resumes

Cudd & Coan Underwriters, Spartanburg, S. C., agency, has been allowed to resume business under an order signed by Commissioner William F. Austin, "until such time as the agency business may be sold." Mr. Austin recently took over National Fidelity Ins. Co., headed by A. D. Cudd Jr. and William D. Coan, for liquidation.

Report Heavy Commercial Line Financing

The growing need for premium financing facilities for commercial insured is emphasized in the results of a survey questionnaire sent by Afco to more than 2,600 agents. Of the 44% replying, 64% stated they use Afco more for commercial than for individual coverages.

A third of the agents reported that commercial policies accounted for 25% to 50% of their yearly premium volume. Such coverages represented over 50% of volume for 17% of the agents. Commercial accounts constitute more than 80% of the yearly premium volume that Afco finances.

The company, notes that premium financing offers commercial concerns many advantages in a tight money period. The agent is liable to sell higher commercial coverages when total premiums may be divided into relatively small installments in a payment plan that is easily adaptable to most business operating budgets. By avoiding big premium due dates, business men can retain large amounts of capital for current operation costs or business expansion.

An independent finance company enables agents to combine one, three and five year policies of different companies into a single premium budgeting package. This feature is important for commercial insured, Afco notes.

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Beneficial Fire & Casualty of Los Angeles has been licensed in Maryland and Alaska.

Underwriting Gain Smaller For Federal

Federal, Vigilant, and Great Northern reported for the first six months of 1961 consolidated net income after federal income tax of $3,091,000, or 88 cents a share on 3,496,707 shares outstanding. This compared with $3,181,000 in the first half of 1960, or $1.03 a share on 3,087,916 shares then outstanding. The 1960 figures do not include Great Northern, which Chubb & Son acquired last December.

Underwriting income after federal income tax declined from $831,000 to $369,000. Investment income after federal income tax, but excluding capital gains and losses, increased from $2,351,000 to $2,722,000. These figures do not include the results of Colonial Life, a 97% owned subsidiary, as certain reserves are determined by that company only at year end.

The loss ratio to premiums earned this year was 59.5 and the expense ratio to premiums written 34.9. The figures for the first six months of 1960 were 58.5 and 34.2. Unearned premiums for the period increased $2,685,000 against an increase of $2,802,000 last year. Premiums written increased 9.8% to $43,496,000.

Surplus to policyholders at June 30 totaled $131,987,000 and assets were $249,025,000.

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Walsh Is V-P Of Combined, Dancer Named In Field

Combined of Chicago has promoted Matt Walsh to vice-president. He also will fill a new post of international sales manager for the Combined companies. Since 1959, Mr. Walsh has been regional manager for Combined for the region consisting of Virginia, West Virgina, Maryland, Delaware, and North Carolina.


Matt Walsh

To fill this regional post, Gordon Dancer has been appointed resident vice-president and manager. Since 1959 Mr. Dancer has been in Dallas as a vice-president of Combined American of the Combined group.

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Texas Board Receives Increased Appropriation

AUSTIN—A two-year increase of $725,272 in the appropriation for operations of the Texas Board, making a total of $5,150,182, has been approved by the state legislature. In other action, board members have been placed on a full-time salary basis, and certain discretionary powers in hiring employes have been extended.

The appropriation makes a lump sum for wages and salaries, but does away with the old restrictive "line item" method in favor of the new job classification system. It also makes possible a decentralization plan for the board's traveling employes with headquarters away from Austin, thereby reducing traveling expenses.

Under the bill the board will have headquarters during the second year of the biennium in the new Insurance Building now under construction, where it will have twice the space now being used and at a substantial saving in rent.

Agent Comments On Homeowners

A Florida agent writes with regard to the article on homeowners in the Aug. 25 issue:

I enjoyed the article about homeowners rate inadequacy and "maintenance" problems, and cannot help but be amused at all the attention this is getting now with the moaning of company executives over their results.

Not many of the company executives I know could be considered lacking in "what it takes upstairs," yet it must be assumed that the majority of them supported the filings which are producing these disastrous (and I believe it will get worse) results. It's difficult to be sympathetic, because the present HO rate levels demand nothing short of underwriting clairvoyance to avoid disaster.

I am not an actuary and I know very little about rate making theory. But insurance rates are my business and I know that a HO 3-4 for $10,000 with loss deductible clause No. 1 only and extended theft costs $204 on a brick dwelling in my town. I also know that the closest you can come to equivalent coverages under separate policies produces a premium of $482.94, which means that HO is discounted 58% from specific rates.

I also know that HO policy is broader than the specific policies. For example, deductible No. 1, windstorm and hail, "disappears," whereas it does not under specific policies.

I also know that these specific rates which are being discounted 58% are at an all-time low. In south Florida the averages indicate we'll have a hurricane about once every six years, but the present rates don't have a penny of hurricane losses in their makeup (Donna hasn't entered the rate making picture yet, and before that we had an abnormal 10 year respite down here).

I also know that the companies have left the agents no choice but to sell no-deductible coverage. Under specific policies, the three year premium to waive the building special and contents broad form deductibles is $54. On that $10,000 HO, the additional premium included is $15. How can the agent leave the door open to his competitors by including deductibles which the companies offer to waive on a give-away basis? Of course there are a lot of maintenance claims.

I also know that the woods are full of companies which are deviating from the 58% cut.

Underwriters' Dilemma

I also know that the special agents are out begging for more and more of this inadequately rated business. The companies stick to their formulae, desiring certain percentages of non-casualty to casualty business in the agent's over-all book, ignoring the huge additional loss potential being accumulated. It reminds one of the moron who said he lost money on every unit but made up for it in volume.

The highly interesting comments of executives which you have been running every week stress underwriting selectivity. Anyone can turn down the unprotected, under-insured, over-age frame dwelling. But if the average spread is going to produce bas results, how do you predict which of the protected, adequately insured, five year old brick dwelling insured is going to burn you? What can the underwriter do other than blackball certain obvious troublemakers who comprise such a tiny part of the market?

I'm sure that my thoughts and examples do not furnish you with any facts you do not already have. However, I couldn't resist what would now be considered second-guessing, but what was actually obvious to many, if not most of us, at the time this apparent suicidal approach in the homeowners field had its insidious inception.

Cites Homeowners Woes

An agent in the southwest writes with regard to the article on homeowners in the Aug. 25 issue:

Amen to the points brought out in your article. The homeowners policy has grown into a Frankenstein that is going to drive many companies and agents crazy.

We jumped onto the homeowners bandwagon early. It was actually fun to sell. It was the policy that would cover "everything." People purchased it with little sales effort on our part. Our files are filled with the policies.

However, this year things have changed. (I should add here that we use bureau rates.) We are losing many policies on the expiration dates. Why? Because of 20% deviating companies. Who to? Mainly to other local agents. The old time, local agents in our city are making life miserable for us.

Our agency and only one other "old timer" are still loyal to companies that use bureau rates. In the past, we could hold our own against the direct writers. But we can't compete against old time reliable agencies that are now using 20% deviating companies for fire business. Also, many of the deviating companies pay 25% commission.

All companies are losing money in Oklahoma. Thus, I can't understand how many of them can deviate 20% and pay 25% commission. But, they do, and they are writing a ton of fire business. If these companies don't go bankrupt, the bureau companies will have to meet their price, dollar-for-dollar, or stop writing fire business.

I don't know how much longer our loyalty to companies that use bureau rates can last. It is very discouraging to lose policies we have had for years —to 20% deviating companies, and written by other local agents.

If we take on a 20% deviating company, we are then on our way to becoming a "one company" agency. This scares us, but it is coming soon.

Society Expects Insurance To Do Larger Job And Will Insist On It

(CONTINUED FROM PAGE 6)

secure. It is probably more important to the human being to feel secure than actually to be so. This psychological need or demand of human beings produces pressures upon the law far more intense than mere economic needs would do.

Insurance is really a product of the last $1\frac{1}{2}$ centuries, he said, when insurance became a characteristic and central facet of the social fabric. It was only in the 19th century that commercial insurance became important, and much of the really significant insurance business is a product of the 20th century. This is a modern institution, still in process of creation. Its future lies before it.

In some sense, the writers who treat of the antiquity of insurance are right. They say insurance is old. The insurance idea is not only old but universal among human beings. Man needs security, and he needs even more to feel secure. Society must provide some kind of institution that gives such security and the feeling of security. The commercial insurance enterprise is only the particular manifestation, for contemporary society, of the universal human need for insurance. Some such institution is inevitable. If it didn't exist, it would be created by cultural evolution.

Commercial insurance is the answer of society to pervasive and persistent demands of human beings for actual security and for a feeling of security. The process is not yet complete, and this generation is deciding what the final superstructure shall be like.

One important method by which security and the feeling of security can be, and is being, supplied is through the modern state. Many would deny that the provision of the security needs of the human being by government is the best way to provide for these needs. But it is a possible solution, and it works, he declared. Whoever thinks it is not the best solution should dedicate himself to providing a better one.

Needs To Be Comprehensive

One aspect of public policy is that in order for insurance to do its job—provide both security and the feeling of security for substantially all members of the social organism—insurance must be comprehensive in its coverage. Substantially all persons in the community must somehow be brought within the protective scheme. This is not merely desirable, it is imperative. In primitive society the fiction of adoption was born to make sure that everyone could get inside one of the kin groups which would provide him mutual aid. If commercial insurance does not provide a modern equivalent to the fiction of adoption, it does not do its job, and something else will replace it.

Mr. Kimball illustrated his point with automobile insurance. In the beginning the policy was one of indemnity—it paid insured after the latter had paid a judgment. The injured per-

son was unprotected by the policy in any direct way—if the policyholder was worth suing without the insurance policy, the injured person recovered; if the policyholder was not worth suing without the policy, the injured person did not collect.

Then came the statute providing that the insolvency or bankruptcy of the person insured shall not release the insurer. This extended the range of the protection beyond policyholders to include injured persons. Now such persons could reach the policy to satisfy the claim. It was not so much a desire to improve the protection of the policyholder that caused the development, though the change did improve his protection. The moving force, even in this early stage, was a deep-seated feeling that the job of insurance is to provide protection to all who need the protection, that the indemnity policy should become a liability policy to provide protection for the whole of society against the consequences of automobile accidents.

Can Sue Insurer

This motivation, this public policy became clearer with successive developments, Mr. Kimball pointed out. One development came to full fruition only in a couple of states, though suggested in many. In Wisconsin and Louisiana, at least, the injured third party can sue the policyholder and his insurer at the same time and in the sáme action.

Whether this statute is wise, the basic reason for it was the desire of the legislature, perhaps only partly realized by the legislature itself, to extend the scope of the automobile insurance contract, to bring a new class of persons under the protective umbrella. It wished to extend the coverage to provide effective protection to many injured third persons. The undercurrent of public policy that prevailed was a strongly felt attitude that automobile insurance has a function to perform, the function of protecting against the consequences of automobile accidents, and that it should be compelled to perform that function.

The public policy that when an automobile accident occurred there should be a solvent defendant to be sued in order to protect injured third persons began to become clear at a fairly early date. Thus the financial responsibility laws developed. These became more stringent. Always the tendency was to provide a solvent defendant for an ever larger and larger class of cases. Finally compulsory arrived. Its purpose is very clear, to insure that in all cases there shall be a solvent and responsible defendant. Compulsory insurance has existed for a long time on certain classes of motor vehicles. Compulsory insurance for all vehicles has been everywhere proposed for decades, though successful thus far in only three states.

Attitude Is Felt

Its failure to make more headway is no indication that the public attitude that supports it is not strongly felt, however, Mr. Kimball warned. It has been strongly opposed by the generally united efforts of the insurers. How long such resistance will continue, and how long it can be successful is impossible to say. Whether the companies should oppose compulsory insurance is also a hard question to answer. Successful opposition in the legislature does not necessarily thwart the public attitudes which find their fulfillment in other ways.

The screening effect of negligence law, as a result of which only a part of the persons injured by the automobile are protected against the consequences, is not consistent with public attitudes as they seem to be evolving today, Mr. Kimball observed. Perhaps a compensation regime will never come for automobile insurance. But if it does not, it will be because the underlying public demand has been satisfied in some other way—not because the demand will go away if it is ignored. He suspects that it will never go away and will never cease its relentless pressure until it achieves its goal. This is the feeling of the people themselves, resulting from the interactions of the fundamental needs of human beings and the conditions of modern industrialized, urban life.

What is in fact happening here, he believes, is a perfect illustration of the way public policy works itself into the living law, as distinguished from the law on the books. The institution of the jury has been the means by which the pressure has found its escape. In a book review in 1932, Dean Landis referred to some statistics, now obsolete but still very revealing. A study of automobile accidents had found that the percentage of recovery in the insured fatal cases examined ran to 88%, in non-insured cases to only 17%; in insured cases of permanent disability to 96%, and in non-insured to only 21%.

In a sense these figures are shocking, Mr. Kimball said. In a large percentage of cases juries ignore the law or distort the facts so plaintiff recovers who could not recover if the law on the books were applied to the facts in a coldly rational way. Mr. Kimball believes society feels that the insurance institution has a certain function to perform, and that that function is not adequately described as the protection of the assets of policyholders. Rather, the function includes the task of protecting the public generally against the consequences of the automobile accident.

Juries reflect, on the whole, the point of view of society at large. They seek to implement the attitudes of society at large, public policy. Juries are applying a de facto doctrine of comparative negligence, by which the plaintiff's contributory negligence reduces his recovery but does not bar it altogether. Perhaps more often juries are implementing the deeper feelings that the function of the insurance en-

terprise is not merely to provide a solvent defendant when the defendant is negligent, but to see to it that injured persons are taken care of, irrespective of fault.

Cautions Opposition

Mr. Kimball said he doesn't know whether this attitude is morally good, bad, or neutral. But it does exist and it has largely swept the field before it, legal doctrines, efforts of insurers, and inertia notwithstanding. This attitude has converted the living law of automobile accidents into something quite unlike the law on the books. To deny this is to bury one's head in the sand, he said. To oppose the development is legitimate. But to attempt to resist this massive subterranean change in attitudes may be quixotic. Anyone who dislikes it on moral grounds or on grounds of self-interest ought to think carefully and long how he should oppose it.

He pointed out other illustrations of this changing public attitude—the traditional doctrine of common law that the state and its agencies cannot be sued without their consent, and the companion doctrine that charitable institutions are immune from tort liability. It is customary for even such institutions to purchase liability insurance, not to protect the institution, which needs no protection, but to protect injured third persons.

Change In Doctrine

The very existence of a developed institution of insurance which is readily available for use together with the common use of insurance by state and charitable institutions leads inevitably to a change in the doctrine itself. There is a strong tendency for courts to reverse previous positions, and for legislatures to enact statutes, making the sovereign and charitable institutions subject to tort claims. These developments reflect the changing character of the liability insurance contract, as it becomes less a device to protect policyholders against economic loss and more an institution to protect all injured persons against loss.

The evolving public attitudes in the fields of automobile liability are illustrated by the reactions of courts to contracts that are issued under different legal regimes. Where an insurance contract is voluntary, courts incline to give full effect to such defenses as the failure of the policyholder to cooperate with the company, or fraud in the inducement to issuance of the contract. However, if the contract is compelled by law, courts tend to deny such defenses, and to hold the company liable to the injured third person. Courts are more likely to interpret the omnibus clause broadly if the policy is a compulsory one.

Problems Will Be Solved

It is inevitable that changes continue until the insurance institution does fully satisfy the need felt by the public for protection against the consequences of automobile accidents, Mr. Kimball suggested. If it does not change enough, it will be replaced by something that meets the demand. Of course it is not inevitable that this, or any problem, be solved in any particular way. There is nothing inevitable, for example, about compulsory insurance or a compensation regime. There is nothing inevitable except that pressures will continue for the solution of the problem until it is felt to be adequately solved.

Sooner or later the institutions now occupying the field will be adjusted to meet fully the demands of the community, or something new will appear. The voluntary uninsured motorists' endorsement, inadequate as it still is, is one of the inventions that gives hope that private insurance eventually can solve the problem well enough to forestall more drastic solutions. An enormous and completely comprehensive development of health insurance might also relieve the pressure.

A&S, Auto Are Similar

Public attitudes evolving in A&S insurance are identical with those in automobile insurance, he declared. All persons in the community are subject to the risks of accident and ill health. If the basic social role of insurance is to put cement into society by providing a substantial measure of security, and the feeling of security, with respect to these serious risks, that task can only be performed adequately if substantially all persons in society are brought

under the umbrella.

These developments have changed and are changing the nature of the insurance business, Mr. Kimball said. It has long been a business so affected with public interest as to justify considerable regulation. Regulation of insurance is extensive and complex. But traditionally insurance has not been regarded as a public utility. Insurance companies have been free to write insurance or not to write it, as they chose.

However, by statute in some states workmen's compensation insurers must take all comers. With the development of compulsory auto in even its less stringent FR form, insurance tends to become a public utility, for assigned risk plans take away much of the insurer's freedom to choose its policyholders. This tendency is inevitable until the industry has fully satisfied the need for insurance.

Insurance Itself To Blame

It is a futile exercise to try to ascertain who is to blame for these developments, Mr. Kimball declared. For the probability is very great that there is not much fault to be fixed. The changes that have taken place in public attitudes merely reflect changes in the intensity with which universal demands for security have been pressed. Security is by no means a novel hope. In every age men have demanded as much security as the existing environment could be made to yield. In the contemporary world the demands for security have been pressed with much more vigor than heretofore, perhaps because the ever present hope seems more fully attainable.

Who is responsible for making the public security conscious, for creating the urgent and present public demand for security against all the vicissitudes of life? To the extent that it is possible to assess responsibility for changes in attitude, it must be charged to the insurance business itself. In its effort to sell its product, it has made the public far more conscious than it ever was before of the possibilities of attaining security.

Is Concerned As Citizen

He said that as a student of legal institutions, he is indifferent whether the response of the insurance business to the problem is rational and adequate or not. But as a citizen he is concerned. He thinks much of the response of the industry is not rational, but emotional. It expresses fear of change. A rational response would accept the drastic change at that, and would try to interpret it, to find out how much of it is inevitable and must be lived with, and how much of it can be modified and channeled.

One illustration of an irrational response, he said, is the recent effort to get Congress to eliminate all use of the word "insurance" in social security programs, as if those programs came into existence by fraudulent representations that they were "insurance." A fully rational response would recognize the nature of the role that is forced on insurance by the deep seated attitudes of ordinary mortals. He suggested accommodating to what cannot be successfully fought, and fighting only for what has a chance to succeed.

It is quite possible, he warned, for a whole institution to commit suicide if it does not accommodate itself to change, which means if it does not adjust itself to perform the full task new assigned to it by the social organism. If private insurance is to survive as a private institution, it must recognize the central importance of the function it performs in society, must take pride in it, and must perform it ungrudgingly and fully. If it does not, it will certainly be replaced by institutions, largely governmental, that are more responsive to the needs and demands that exist below the surface of society, and it will have failed. The challenge is to do the whole job society has assigned it to do.

Amer. Mutual Liability Raises Allen, McClure

American Mutual Liability has elected Cole A. Allen vice-president and Richard D. McClure assistant vice-president.

Arthur S Johnson was named vice-president emeritus. He has retired after 38 years with the company, most recently as head of the engineering department. Mr. Allen replaces him as manager of that unit.

Mr. McClure is manager of the home office industrial lines underwriting department.

Western Pacific Offers Credit Cards For Premium Financing

Western Pacific agents can now issue their own customer credit card and finance all their insured's policies on the new "Westpac Charge-Plan." Although supervised by Western Pacific, each agent offers his own "Westpac" credit card for exclusive use with his own customers. This enables him to finance all policies carried by the insured, regardless of the insurance company. Western Pacific Life insurance can also be financed on this program.

The non-signature plan provides prospects with a "no down payment" feature, monthly installments and an upper limit of total credit. Customers can add to their account at any time with increased coverages or new policies.

Mutual Insurance Institute, education division of Kemper group, will conduct its 50th resident training course for agents and Kemper employes Oct. 23-Nov. 18 at Chicago.

Facultative Fire Reinsurance: Its History, Need, Availability

(CONTINUED FROM PAGE 2)

renovated the cession agreement and greatly reduced handling costs by abbreviating the amount of information needed on reinsurance memoranda. This was the initiation of the short form reinsurance certificate.

Crum & Forster also pioneered a successful facultative development. It was the first to establish a separate facultative fire reinsurance department for the acceptance of reinsurance offerings only. This marketing change was favorably accepted by placers dealing with Crum & Forster because the underwriters became familiar with the placers' accounts and loss records. Those presenting favorable business found underwriters were willing to accept a certain amount of accommodation business. Due to the obvious advantages of an organized system for the assumption of facultative fire business, other companies quickly followed Crum & Forster's example.

With the 1930s, the facultative fire reinsurance business entered the honeymoon period. The market crash brought about a drop in values. Companies were allowed to take credit in their statements for stocks held at purchase price rather than actual market value. Many insurers that might have normally been insolvent or close to it found themselves carrying large policyholder's surpluses.

The recovery period following the depression promised to be slow, and the general consensus among insurance men was that a further reduction in loss amounts and adjustment expenses was inevitable. Admittance of foreign reinsurers as a consequence of World War I had all but disappeared. The professional American reinsurers were well established. Facultative fire reinsurance loss ratios were favorable, and with procedural streamlining, handling costs were down. Business was never better, and the battle was on to obtain it.

First Encroachment

What appears to have been the first encroachment by the professional reinsurers on business formerly considered the exclusive right of direct writing companies took place in Dallas. There an agent for one of the large insurers was receiving a maximum commission of 25%. A professional reinsurance company offered the agent the same commission plus another 5% to cover "board fees and taxes." This step led other reinsurers to offer the same terms to agents. Inevitably insurers without reciprocity arrangements began to take advantage of the higher commission allowances offered by the reinsurers. With profit margins running high, insurers raised commissions to meet the competitive offerings of the reinsurers, and the professionals in turn raised their commission. By 1938 the reinsurers, by paying a 35% commission and a 5% overwriting to cover board fees and taxes, had come to dominate practically the entire facultative fire reinsurance market, with the exception of that business that continued to be handled by agreement on a reciprocal basis among some old line insurers. During this period, companies from England and Germany comprised the greater portion of the admitted foreign market.

Reciprocity Again

By 1939 values in America had once more risen to a point where insurers were experiencing a surplus problem as a consequence of the rise in unearned premium reserves. Once again they turned to one another for reciprocity, this time with the blessings of the professional market which by now was experiencing little, if any, profit as a result of the high acquisition costs and adverse loss experience that came with increased values.

With World War II came inflation. Prices soared, and war production created industries with values higher than had been known before. Insurers desperately needed facultative reinsurance. So great was the need that reciprocity alone could not satisfy the requirements of the companies. Once more the companies turned to the professional reinsurers.

The American reinsurance companies, suffering from the manpower shortage which the war occasioned, and remembering the adverse experience it had incurred in the late thirties, closed their facultative departments. Admitted German reinsurers had withdrawn from America at the start of the war. British insurers could not aid in reinsuring the facultative business available because England had floated a war loan from the U.S. and pledged as a guarantee the assets of British enterprises in the U.S. Thus any surpluses available from the U.S. branches of British companies were applied to reducing the principal of the loan.

The companies turned to their agents and requested that they increase their agency representation and effect agency reinsurance. Although this step alleviated the problem to

some degree, it was by no means completely satisfactory. American insurers did, however, find a market available willing to offer the relief needed, and an unusual source it was. The market was Lloyd's of London and it was unusual for a number of reasons.

Although Lloyd's had established its American trust fund, the assets of the fund were not included by the British government as collateral for the war loan. So Lloyd's underwriters had available in the U.S. the surplus funds needed to write facultative fire reinsurance.

However, Lloyd's underwriters were completely detached from the U.S. and were unfamiliar with the risks they were assuming. Neither did they have at their disposal maps or inspection reports normally considered minimum essential for sound underwriting. With America and England both at war, underwriting information normally communicated abroad was censored for security reasons. Nonetheless, Lloyd's went ahead and bound facultative cessions throughout the war years, furnishing the American market with the capacity it needed. After the war ended the domestic market stabilized, and with Lloyd's becoming much more selective in its underwriting than it had been during the war years, the bulk of the facultative business returned to the U.S.

Another Period Of Squeeze

From the war through 1954 the American economy generally experienced prosperity. It also experienced a steadily rising inflation. To insurers this meant a continued increase in unearned premium reserves and a decrease in policyholders surplus. Companies again looked for relief and found aid in two places. Reciprocity between companies increased, and professional reinsurance offices wrote surplus treaties.

Through the use of reinsurance treaties and reciprocity the domestic fire market continued to find adequate capacity. However, in the fall of 1954, the eastern seaboard was ravaged by Hurricanes Carol, Edna and Hazel. Loss ratios were hard hit. Many reciprocal arrangements were abandoned, and the facultative market tightened up. Once more companies sought additional facilities and were partially satisfied by professional reinsurers offering automatic and semi-automatic facultative treaties and by the re-entry of foreign reinsurers. Further capacity still proved necessary though, and in 1957 a new assumption source appeared on the domestic facultative fire reinsurance scene.

Willcox, Other Pools

Albert Willcox & Co., reinsurance intermediaries in New York, organized a facultative fire reinsurance pool, subscribed to by admitted insurers and reinsurers. The new facility was well received by insurers. Other reinsurance brokerage offices have since established similar pools. These professionally managed pools are still in the formative stage and have not as yet met the test of fire. However, they have proved their worth in the immediate past. They have been able to absorb much of the capacity needed by the insurance industry.

What are the prospects for the primary company's continuance in the facultative market? As far as can be ascertained, they will always have the advantage of being able to offer reciprocity to fellow companies in time of surplus stress. Thus, they should remain a constant factor in the market.

As for the professional reinsurers, they, too, feel they can continue to maintain an equitable interest in this business for some primary insurers prefer to do business with professionals because they are reluctant to disclose details of their operations to competitors. Also, where reciprocity is exchanged among insurers, the experience of one company is bound to produce better results than the other. Thus the company supplying the better business will become dissatisfied with the reciprocal arrangement and seek other facilities.

Future Of Facultative

As for the future of domestic facultative fire reinsurance itself, there will always be some need for it. The degree of the need will depend on both the ceding companies and the reinsurers. Insurers should bear in mind though that they are in business to assume liability, and they should do their utmost to retain as much net for their own account as possible without jeopardizing their financial structure. Reinsurers of facultative business would do well to consider their business analogous to the fellow who tried to get fat on blue milk—it can't be done. A true facultative underwriter must operate in an atmosphere of pure underwriting. Each risk must be considered on the basis of its individual merits, without thought to reciprocity or accommodation.

Above all else, it should be remembered that facultative fire reinsurance is not meant to be a commission tool. It has a legitimate function in the industry, and it will continue to execute this function as long as it is not abused.

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Camden Fire Names SA

John W. Kennedy has been appointed special agent for southern Illinois and eastern Missouri by Camden Fire. He will have his headquarters with State Agent Herbert A. Elkin at 400 South Grand Avenue West, Springfield, Ill.

Gives Producer View Of Long Term Policy

C. L. Erickson, account executive of the Detroit Insurance Agency, writes anent the editorial on the long term policy:

There are sound reasons for proceeding very cautiously into the subject of long-term or continuous policies. While in theory the idea may reflect possible lower costs to insured and insurer, in practice the procedure could create confusion, doubt and eventual ill-will for the good name of fire insurance.

As to homeowners, within the past five years there have been numerous changes in coverages, rates and forms, making an expiring policy obsolete. By issuing a new policy at renewal date we are able to get insured once again on the main track as to newest form, latest coverage refinements, availability of optional deductibles, and application of current premium levels. True, policies are interpreted to include broader forms where no additional premium is involved, but does this procedure lend confidence to insured and judges compared with spelling out the exact current coverage in a manner understandable to all concerned? I say no.

Many Endorsements

In a long-term policy necessary changes in coverage may be many, all of which necessitate endorsements that eventually make the policy all but unreadable. These changes, to cite a few, may include changes in amounts of coverage on dwelling, personal property or liability; changes in mortgage interests, changes as to coverage for liability on pools and boats, changes in selected deductibles, secondary locations acquired or sold, and jewelry or fur items scheduled from time to time. After even six years of a continuous policy, imagine trying to analyze the coverage currently provided.

Insurance publications through the years, in citing court cases, have often commented on the reaction of judges to ascertaining exactly what the policy covers after study of riders and endorsements. Judges call the average policy a mass of mucilage, or a confounding of confusion. The New Jersey superior court, appellate division, commented, "This court was of the view that the 11-page homeowners policy, numbered backwards in part and without rhyme or reason, was a collage which represents triumph of mucilage over mind." If a scholarly judge has that impression of our contract, should we step even more deeply into the mire? Our public relations involve both insured and courts, and we should keep them uppermost in our minds when planning possible changes.

Finally, the long-term policy is mentioned as a way to lessen competition and to reduce loss of business. No gimmicks should be perfected which close the door to continual competition, for it is the latter that keeps insurers and agents on their toes to do the job that constantly needs to be done--to provide during the entire policy term the broadest coverage, most competent service and wisest counsel at a fair and proper cost. If a continous policy in any way nullifies this professional challenge, it will have done irreparable harm to our good business.

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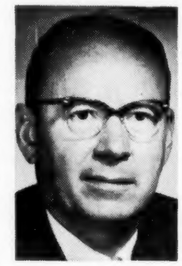
A **cancellation** bill has been defeated in the Pennsylvania senate. It would have extended the non-cancellation period from 10 to 30 days for liability policies.

A. H. Kessler Joins State Auto As V-P

Albert H. Kessler has been made a vice-president of State Automobile Mutual of Columbus. He will undertake a study involving expansion into lines not presently underwritten by State Auto. He also will be in charge of developing a health division for the company.



A. H. Kessler

Mr. Kessler has been vice-president of American Casualty. With that company he was A&S claims manager, A&S manager, assistant vice-president and vice-president. Prior to that he was with Continental Casualty, the W. E. Lord agency of Cincinnati, and for a short period operated his own agency in Cincinnati.

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Fund Appoints Lumley

Fireman's Fund has appointed C. Kenneth Lumley automobile-casualty specialist for North Carolina and South Carolina with offices at Charlotte.

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Inter-State Names Holt

Inter-State Assurance has named W. J. Holt as assistant to the president. Mr. Holt has been in the business for 33 years, and all but nine years of this time he has been with Inter-State. He started in 1929 with John Hancock and in 1937 was named division manager to develop new territories for Inter-State. Areas he has developed include Illinois, Ohio, Michigan and Indiana.

Agency Management Institute Benefits Given

(CONTINUED FROM PAGE 1)

es—jumbo fire lines, business interruption, excess liability limits, inland marine and others. Then, according to Mr. Daenzer's breakdown, come the unusual or "special" classes consisting of contingencies, e.g., non-appearance, malpractice, errors and omissions, warehousemen's legal liability, coverage for banks and financial institutions and confiscation insurance. Finally there is a class which Mr. Daenzer describes as "very broad forms." These include all risks of physical loss or damage—buildings, contents, U&O, rent, accounts receivable and valuable papers; valued U&O contracts; the umbrella liability policies; all risks builders risk and excess aggregate and specific excess with a self-insured fund.

The surplus lines session also included some "how-to-do-it" material—state requirements, etc.—and a number of clarifications of Lloyd's operations.

Congenial, But No Vacation

Though the institute had a congenial atmosphere, it was no vacation—quite the contrary. Schedules were long and full. And, the agent who showed up hoping to be able to forget his office management troubles, if any, was disappointed. Thomas J. McKernan, assistant secretary National Automobile Underwriters Assn., not only presented the latest solid thought on the subject, but gently prodded his students to an examination of conscience on this score as well.

The impact of package policies on office operations were assessed, with special attention to ordering and billing, production, office procedure and record keeping. Then, with special know-how from his years as educational director of National Assn. of Insurance Agents, Mr. McKernan took up the business of job analysis. He explained how analysis developed for the agency head a better understanding of office routine while also recognizing and fixing individual duties and responsibilities. The well written analysis also simplifies the job of training new people, Mr. McKernan said, and helps in measuring the monetary worth of an employe. Ultimately, the job analyses provide the material for a procedure manual.

Work flow— a mysterious subject for many of us—took on meaning as Mr. McKernan explained how to analyze it. Why bother? Because work flow study pinpoints waste motion, guides the office to more efficient procedure and hardly an incidental effect, improves employe-employer relationships. Eliminating waste motion cuts costs and employe fatigue.

Mr. McKernan also devoted time to eminently practical ideas on placement of people and equipment, office forms, systems and, of particular interest, planning a new office for handling package policies.

Robert C. Dauer, assistant editor Fire, Casualty & Surety Bulletins, has done a vast amount of research on the advertising needs and practices of insurance agencies. He told me that, as his studies proceeded, he became more and more convinced all of us spin our wheels needlessly by not starting at the beginning—learning the basic principles first. Hence, the institute planners continued in a sound train by bringing in Franklin E. Shaffer, vice-president Doremus & Co., the New York advertising agency which is so well known to insurance men for its role in the Big-I era.

Mr. Shaffer dealt with first things first, refusing to make any assumptions about the extent of the knowledge of any participant. From principles and misconceptions which need expunging, he went to specific advice on the planning of an agency's advertising. He stressed the need for defining advertising goals, discussed budgeting, selection of media, the need for expert assistance, the importance of repetition, timing, tie-in personalizing advertising, the use of company maerial and follow-up. It was a tough session, sure to bear fruit.

Electric Accounting

"Electric Accounting for Every Agency" sounded a little whimsical as a title on the schedule. But, it was a convincing motto once the matter had been presented by Robert Burns, Washington, president of American Agency Management Bureau.

Every management institute ought to have some insurance in the form of at least one subject and instructor which will be worth the price of admission even if everybody else flops. The Ohio institute certainly had its insurance (but didn't have to put in a claim) in a thorough exercise on agency legal problems by Arthur I. Vorys, former Ohio superintendent, now back with the Columbus law firm of Vorys, Sater, Seymour & Pease.

Mr. Vorys began with an outline of the traditional concept of the principal-agent relationship and then demonstrated how the insurer-agent relationship differs from this. The discussion took him into such points as suitability for licensing, controlled business proscriptions, apparent authority and the liability of agent to both insured and insurer, binding authority and the dual nature of an insurance agency. Forms of business organization for an insurance agency were analyzed in detail and, following a wealth of practical information on buy and sell agreements—a perennial favorite among progressive insurance men—Mr. Vorys dealt with the fact and fancy of common legal pitfalls peculiar to the insurance agency business.

It would be difficult to avoid an anti-climax following the lectures of Mr. Vorys, but a panel on selling and servicing industrial accounts, which came next, was no anti-climax. Participants were E. W. Altstaetter, Columbus, insurance representative with North American Aviation; W. Daniel Dayton, Marysville, Ohio, insurance buyer of O. M. Scott & Sons, and Paul R. Langdon, Columbus, manager of finance and accounting Battelle Memorial Institute.

Edward O. Platell's session dealt with increased profits, specifically, increased profits from fidelity and contract bonds. Mr. Platell is assistant manager at Chicago of American Surety. He had a receptive audience, for those who attended the institute were insurance men of the sort who see the wisdom of serving the insurance needs of the entire community, not exclusively those of the home and automobile owner.

The institute ended with a review of trends in the business by this reporter.

Last year's management institute and the one reported here were run by the Ohio association people on behalf of National Assn. of Insurance Agents. James R. Kanehl, education director, and K. Bruce Raser, field representative, share the staff responsibility with Messrs. Avery and Hemphill.

Kemper Group Has Record Premiums

Premiums of the companies in the Kemper group reached record highs in the first six months of 1961. The total was $129,492,403. Dividends to policyholders in this same period totaled $9,219,444.

Combined underwriting and investment earnings of the four fire and casualty companies increased from $17,092,992 during the first six months of 1960 to $17,274,345 for the same period this year. The life affiliate had $205,219,330 insurance in force on June 30, an increase of $25,027,150 for the six-month period.

Cites Pros, Cons Of Depopulating AR Plans; Examines Credit System

The pros and cons of depopulating assigned risk plans were examined by Larry P. Kable, underwriting manager of Automobile Club Ins. Co. of Ohio, at a workshop sponsored by National Assn. of Independent Insurers in Chicago.

Under one proposed system of depopulation, he said, an insurer would be allotted AR credits for offering to insure such classes as youthful and elderly drivers, service men and impaired risks. The plan has already been applied to youthful drivers in North Carolina, New Mexico, New York and Wisconsin. Mr. Kable listed the following factors often advanced in support of AR credit plans:

More Voluntary Risks

—More risks would be written voluntarily by insurers, thus helping to depopulate AR plans. There is evidence of this in Wisconsin, where, since initiation of the youthful driver credit, almost all accident-free youthful drivers are written voluntarily. New York reports a 21% decrease in AR members within the past 5 months.

—Public reaction to insurers would improve, because fewer people would be turned down.

—Such plans might help forestall compulsory auto insurance and state funds. Many complaints to legislators are answered when companies voluntarily accept more classes.

Mr. Kable also cited objections often expressed by those opposed to credit plans:

—It is difficult for companies to "code out" some of the classes which would be written under these plans.

—The plans would also make intelligent risk selection difficult. Ineligible risks would become eligible only because they were not quite as bad as another group.

—AR plans would be depopulated by scraping the better risks off the top, leaving an even worse group of risks than those now in AR plans. As a result loss ratios would be even higher.

Further Disadvantages

—In states which operate the AR plan with income obtained from service fees, there would be less income because of fewer applicants. One state recently increased the service fee from \$2 to \$3 because of depopulation.

—Some companies might write so many risks for credit that they would never again get an AR assignment. Also, some insurers would build up so many credits that they would not get assignments for several years, even if they stopped writing such risks for a long period. Mr. Kable suggested that a solution would be to establish a maximum amount of credits allowed to any one insurer each year.

—It has been suggested that companies might report more credits than they actually had. However, Mr. Kable said, test examinations of Wisconsin companies conducted by CPAs showed that no company had ever reported falsely.

—Agents might not wish to dilute their business by writing less desirable classes, even though these classes would now be acceptable to insurers.

Administrative Problems

In addition, Mr. Kable said, there have been administrative problems at company offices. Classification systems are not uniform. Therefore, credits are usually given for all male drivers under 25, whether they are single or married, principal or occasional drivers. Thus companies are being credited for writing some risks which have had no problem securing insurance and would not have gone into the AR plan in any case.

Adapting the credit system to elderly drivers may prove difficult, Mr. Kable stated, because they are not classified separately at all, as are class 2 drivers. There is a possibility of setting up a

Underwriters Salvage (N.Y.) Promotes Wells At S. F.

George J. Wells, general agent of the Pacific Coast department of Underwriters Salvage of New York for the past decade, has been appointed to the newly created position of executive adviser there. Warren W. Finke, previously executive supervisor for the Pacific Coast department, has been named general agent, succeeding Mr. Wells.

Mr. Wells, who has served with the Pacific Coast department for nearly four decades, will continue to maintain his headquarters at San Francisco. In his new capacity, he will be in charge of field operations and serve in an advisory capacity on the salvage of fire losses.

Joining the company in 1924, Mr. Wells held positions of special agent, state agent and executive special agent prior to being named general agent in 1952. Mr. Finke, a member of the Pacific Coast staff for the past decade, has served as special agent, auto manager, office manager and executive supervisor.

new classification, but in that case there might be some disagreement as to the proper age for starting the division. In addition, such a procedure might work to the detriment of older drivers by establishing experience figures within the new class that would call for higher rates.

Servicemen have little trouble securing voluntary insurance, since some companies already specialize in writing this group. In fact, a credit plan could work so much to the advantage of these companies that others would get even more assignments. Other points of disfavor include lack of uniformity in defining non-acceptable servicemen, and the difficulty of reporting these risks for credit.

Impaired risks, on the other hand, do have problems obtaining insurance in the voluntary market. However, most insurers believe that the number of people in this category who would benefit from a credit plan is not large enough either to depopulate AR plans appreciably or to compensate for the administrative expense, he said.

He estimated that the most popular system of depopulating AR plans with insurers is to increase the severity of auto licensing requirements. The plans are loaded with potential killers, he said. But since driving is considered a right rather than a privilege, there is great public resistance to more rigid licensing laws.

For that reason, AR plans as they now exist are valuable, he maintained. The manager of a plan is encouraged to report to the motor vehicle department the records or physical condition of applicants who appear to be highway hazards. In this manner, he concluded, AR plans can be depopulated of the most dangerous drivers.

Indiana Adjusters Parley To Stress Investigation

State Adjusters Assn. of Indiana will stress in its convention this year the importance of investigation, tips and techniques of statement taking, background investigation, engineering in reconstructing the accident and arson investigation.

Bruce Smith, executive secretary National Assn. of Independent Insurance Adjusters, will address the group Friday evening, Sept. 29, on the "Professional Status of the Field Adjuster." William Servaas, registered civil engineer, will present "Reconstructing the Accident" at the Saturday morning session Sept. 30.

John J. Kennedy of John A. Kennedy & Associates, will present arson investigation techniques.

The investigation theme will also include a skit on court reporter statements, the electronically recorded statement, and a panel discussion sponsored by Insurance Institute of Indiana on investigation techniques.

Eaton In Vt. Field

New Hampshire has appointed Chester C. Eaton Jr. state agent for Vermont, with headquarters at Montpelier. He replaces James B. Antell, who resigned to join Hickok & Boardman agency, Burlington.

Mr. Eaton has been with New Hampshire since 1943, most recently as state agent in West Virginia. He is a past president of West Virginia Insurance Assn., past MLG of West Virginia pond of Blue Goose, and past secretary of Fire Prevention Assn. of West Virginia.

Mutual Of Omaha Expands In Mass., Names 4 GAs

Mutual of Omaha and United Benefit Life have expanded sales facilities and field service in eastern Massachusetts, appointing four new general agents in the area and opening a service office in Boston. Previously the entire area was served by a single general agency.

Named general agents were B. F. Herman, Boston; George Chitenden, Peabody; R. W. Bower, Reading, and W. E. LeCroix, Brockton. In that order the new general agents have been with the companies since 1947, 1949, 1945 and 1949. The agencies will handle a complete line of health and life insurance for families, individuals and groups for all 10 counties of eastern Massachusetts. Benefit payments and premiums will be processed through the Boston service office.

New GAB Offices In Mass.

General Adjustment Bureau has opened new branches at Brookline and Everett, Mass. Casualty claims for these respective offices will be handled by the Waltham and Boston offices.

Charles D. Sullivan has been named manager at Brookline and J. Russell Ross at Everett. Mr. Sullivan has been with GAB since 1946 and Mr. Ross since 1947.

James R. Berry has joined Insurance Institute for Highway Safety as a traffic consultant. He has been with Iowa Department of Public Safety as supervisor of technical services.

Editorial Comment

Asks Insurance To Stop Auto Accidents

Over the years the automobile insurance policy has come to be, pretty much, the means by which the economic costs of automobile accidents are liquidated. Medical payments constituted a move in this direction. Uninsured motorist cover was another step. Juries and judges just about have the liability coverage on a comparative negligence basis. That is still short of payment of all costs, regardless of fault, on a schedule basis.

But the proposal by an ex-judge in Maine that insurance be made responsible for shoving poor drivers off the road is one of the most remarkable that we have heard. It is, perhaps, not surprising that the proposal was put forward in August, one of the hottest months of the year. The ex-judge would make automobile insurance compulsory and require insurers to write nothing but automobile. Then the insurers, unable to make up auto losses on other lines, would have to charge the 10% of the drivers who cause the accidents so much premium that they couldn't afford it. They would quit driving.

The ex-judge blamed both companies and agents for keeping poor drivers driving. Agents, he said, write the poor driver to get the rest of his insurance business.

Insurance representatives promptly pointed out that compulsory didn't slow down traffic accidents in Massachusetts in the 30 years it has had the stuff. They might also have added that big premiums don't keep poor drivers around New York City off the highway—they find the money somewhere. It should be noted also that insurers formed to write nothing but substandard (poor driver) automobile business charge very high premiums, which are paid.

Perhaps it is a compliment that the insurance business is considered the proper means for curing a situation which other instrumentalities, including state and local governments, have been unable to cure. This is not the first time—and undoubtedly will not be the last—that the business will be asked to do a job which baffles the individual and combined efforts of everyone else.—K.O.F.

Measuring Rod For Management

One of the surest ways to differentiate between various levels of management should be an analysis of the time spent by the various executives on "futures." The higher the post, the more time the official should be devoting to considering what will happen next year and in the years to follow.

A good case for this thesis can be made by working from the bottom up. The clerk or technician is concerned with the piece of paper in front of him "right now." His job is to deal with it and turn to the next one. His consideration of futures is severely limited and probably does not run beyond looking forward to Friday and the weekend.

His supervisor has to go a step further and concern himself with the total amount of papers turned out in a day and possibly a week by those under him. But the supervisor's main focus is also largely on the present..

Going up the line, as each member of the staff is promoted to official or semi-official posts, one of his new obligations is to relinquish partially his concern with the immediate present and to plan, within the limitations of his operation, for improvement in future. His presumed ability to do so is one of the reasons for his advancement.

Proceeding to the top of the company, it becomes apparent that presidents should be spending a substantial portion of their time on "futures." In one respect they do: Presidents devote considerable time to the investment portfolio. Investments are almost completely a matter of "futures," based on present indications.

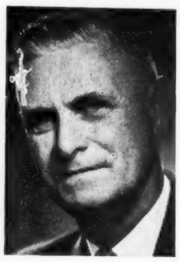
It is by no means certain, however, that presidents spend a matching portion of time on the future of other aspects of operation, such as marketing, management development and other important considerations.

Presidents and other top executives could make a fairly uncomplicated test of how they are discharging their management functions by keeping a score card on the relative amount of time they devote to matters that are happening today as opposed to considering possible developments next week, next quarter, next half, next year, and thereafter.

The resulting score would be the top level equivalent of counting the papers a clerk turns out. Companies are scrupulous about keeping tabs on clerical output. Management might find it profitable to be equally zealous in checking its own performance of its main obligation: Looking ahead and planning—J.N.C.

Personals

The photograph shown in the Aug. 25 issue as **Frank G. Chandler**, the newly elected grand supervisor of Blue Goose International, was not a photograph of him but of another of the same name who is with Berkshire Life at Baltimore. Frank Chandler of the Blue Goose is assistant manager of Pearl in Canada with headquarters at Toronto. Mr. Chandler of Pearl and the Blue Goose is shown herewith.



Frank G. Chandler

Bert A. Jochen, retired executive vice-president of American, has entered the real estate business in La Jolla, Cal., where he has made his home since leaving insurance. During the past year Mr. Jochen completed regular and advanced courses in real estate to prepare himself for the state examination and for subsequent professional service in his new field.

Murray D. Lincoln, president Nationwide Mutual, has been appointed a member of the special advisory committee on cooperatives to the International Cooperation Administration.

Deaths

SOLTON ENGEL, 65, president of Thames Brokerage of New York and Milford, Pa., died suddenly at Kennebunkport, Me. He was for many years insurance consultant to Consolidated Edison Co. of New York.

WILLIAM F. RUSSELL, retired New Jersey district supervisor of General Adjustment Bureau, died in Florida. He was with GAB from 1919 until retirement in 1950.

L. H. SMITH Jr., 51, local agent at Savannah, Ga., died in Forsyth, Ga., of a heart attack.

WALLACE SHUTTLEWORTH, 42, local agent of Indianola, Miss., died there.

FRANK A. CRAMSIE, 68, president and treasurer of the Chicago metropolitan supervising agency bearing his name, died in Mercy Hospital of a heart condition. He started in insurance as an office boy with Hartford Fire at Chicago in 1911. He later joined the farm department of Connecticut Fire in the western department and then for 12 years was Cook County special agent of Critchell-Miller agency of Chicago. He left the agency to become a partner of S. F. Trobaugh, under the name of Trobaugh, Cramsie & Co. This agency became Trobaugh, Cramsie, Laadt in 1925 and five years later Cramsie, Laadt & Co. In 1954 this partnership was dissolved. Mr. Laadt formed his own agency and Mr. Cramsie incorporated the Frank A. Cramsie Co. agency. The Cramsie agency, which is marking its 36th anniversary this year, will continue under the same name. A son, James, is one of the members of the agency.

MILTON F. JEFFERSON, 58, Louisville agent, died at his home there.

Milwaukee Agents Set Plans For Annual Meet

Milwaukee Assn. of Insurance Agents will hold its annual meeting Sept. 13 at the Hotel Astor. John D. Bird Sr. has been nominated for president, Robert K. Cope for secretary-treasurer, and Donald L. Doherty and Harry Polaski for directors. Richard C. Burdick has been nominated for director.

Other action at the meeting will include voting on a proposal to provide for a new class of membership, that of associate member. This membership, without the privilege of voting or holding office, would be extended to employes of agency companies.

The featured speaker will be Joseph S. Gerber, Illinois director of insurance, whose talk is entitled "First Things First."

Commercial Union, Pennsylvania and Valley Forge Life have joined **Health Insurance Assn.**

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Insurance Stock Bid Prices Shown As Of August 31

Cartwright, Valleau & Co., Board of Trade Building, Chicago, submits the following quotations on insurance stocks. The prices that are shown are the bid prices in the professional market at Aug. 31, along with those of Dec. 30, 1960, and June 30, 1961.

Last week plus signs predominated in the insurance issues. Postal Life, which had long been in the doldrums, bounded up through 30 to 38 bid. This was perhaps in sympathy with Eastern Life, which proved so recently to have been a real sleeper.

Hartford Fire Up

Hartford Fire stood out in the fire-casualty list, up nearly 5 points. Fireman's Fund recovered from its sinking spell due to an offering of 49,500 shares and was 63 bid Aug. 31. Federal Insurance also came back after retreating on an offering of 53,500 shares.

Continental Casualty came into demand after a resting period and advanced 4 points to 108. General Reinsurance kept on its upward path, gaining 8 points at 170.

Connecticut General, Aetna Life and Travelers were easier. Lincoln National was up.

Gulf Life rebounded after a recent 2 point drop and reached new high ground at 36¼ bid. American National continued strong and got up to 15¾.

American General was up about seven points at 71 bid.

	12/30/60	6/30/61	8/31/61
Aetna Casualty	96	129	143
Aetna Fire	91¼	111½	119
Aetna Life	97½	119¼	119
Agricultural Life	31¼	32¾	35½
All-Am. Life & Cas.	8	14½	19⅞
Am. Equitable	19⅜	22¼	21¾
Am. General	30½	61	72
Am. Home	41	54	58
Am. Life Companies	8	8¾	9½
Am. Life Companies	8	8¾	9½
Am. National	7⅝	11¾	15½
Am. Re-Insurance	41	53	60½
Am. States	21⅞	23¼	24
Bankers Natl Life	22	40	57½
Bankers & Shippers	54	57	60
Beneficial Std. Life	15½	33½	39¼
Boston	31½	35¼	36¾
B. M. A.	31⅝	71	82
Cal. Western States	44½	76	92
Camden	32⅛	38½	38½
Central Standard Life	16½	19½	26½
Citizens Casualty	8¾	14	16½
Citizens Life	10¼	24	36
Coastal States Life	16	19	17¾
College Life	52	86	108
Combined	24⅝	44	55
Commonwealth Life	21	39	49
Conn. General Life	200	228	266
Continental Am. Life	28½	35⅝	54
Continental Assurance	120	162	193
Continental Casualty	68⅝	108	108
Continental Ins.	56½	58⅝	67½
Corroon & Reynolds	15	16¾	18¾
Criterion	....	40	42
Crown Life	112½	205	220
Crum & Forster	36	47½	51½
Eagle Fire	2¾	5¼	4⅛
Eastern Life	28¾	41	112
Employers Group	39¼	49	55
Employers Reinsurance	61½	62	65
Farmers Und. Assn.	42	53½	60½
Federal	57½	69¼	70
Federal Life & Cas.	73	79	110
Fidelity Bankers Life	8	10½	15½
F. & D.	43¾	57	56
Fireman's Fund	53¾	66¼	63
Franklin Life	61½	102¼	125
General Am. Corp.	157	191	203
General Reinsurance	121	130	170
Glens Falls	39¼	41	43¾
Government Employees	89	128	121
Govt. Employ. Life	43	78⅝	110
Great American	49½	57½	57½
Great Am. Life Und.	770	1365	1975
Great Southern Life	69	90	116
Great-West Life	395	550	685
Gulf Ins.	34¼	38	48
Gulf Life	18½	27	36½
Hanover	42¾	43½	46¾
Hartford Fire	57¾	67¼	80½
Hartford Steam Boiler	91	112	116
Home	57	56¾	62
*Home Protective	55	65	65
Ins. Co. North Am.	77	92¼	100
Ins. Shares Certificates	34¼	43	52
Interstate Life & Acc.	5¾	9⅛	10½
Interstate Fire & Cas.	14½	30	29
Jefferson Natl. Life	17½	18¾	21½
Jefferson Standard Life	42	62½	72½
Jersey	34	34	36½
K. C. Life	1340	1970	2450
Ky. Central L. & A.	11	12½	14¾
Lamar Life	33	54	67
Liberty Life	15	27	36
Liberty Natl. Life	39	70½	88
Life & Casualty	16½	22¼	26¾
Life of Georgia	58	103	109
Life of Virginia	56½	87	108
Life Ins. Investors	8.95	12.56	15
Lincoln Natl. Life	92	125½	144½
Loyal Protective	49	55	70
Maryland Casualty	36⅝	41¾	43¾
Mass. Indemnity	39¾	49	60
Mass. Protective	69	112	125
Merchants Fire	35	42	42½
Midwest. United Life	30	47	65
Monumental Life	45¼	58⅞	81
National Fidelity Life	15	20	27
National Fire	123	136	146
National Life & Acc.	114½	179	189
National Old Line	15⅞	29½	29⅞
National Reserve Life	146	165	210
National Union	40½	48¾	46¼
Nationwide Corp.	27½	33½	36
New Hampshire	49⅝	57½	63½
North Am. Life	14¾	19	25½
North Am. Life & Cas.	132	175	230
Northeastern	12¼	22	26½
North Central Co.	9¼	15½	27
North River	41½	46½	44½
Northern Ins.	41½	46	47½
Northern Life	130	168	184
N. W. National Ins.	86	102	108
N. W. National Life	90	107	125
Occidental Life, N. C.	4⅛	7¾	9¾
Ohio Casualty	24	29	28½
Ohio State Life	39	51	52½
Old Line Life	60	69	72
Old Republic Ins.	14¾	15¼	16¾
Old Republic Life	18½	21	26
Pacific	55	56½	60
Pacific Indemnity	33	35½	37¼
Pacific National Life	15¾	25½	27
Peerless	22¼	26½	29¼
Peninsular Life	3⅞	4¼	7¾
Peoples Life	29⅝	38	44
Philadelphia Life	49½	75	90½
Piedmont South. Life	59	69	85
Phoenix	83	102	119
Postal Life	16	23	38
Protective Life	36	48	55
Prov. Washington	18⅞	22¼	22
Prov. Life & Accident	81	140	162
Quaker City Life	41¾	58	85
Reinsurance Corp.	21½	23½	23½
Reliance	53⅝	63¼	65
Republic	27	32½	35
Republic National Life	33½	70	77
Reserve	11	19	19½
St. Paul F. & M.	61	71	82½
Seaboard Surety	39	42	38½
Security	55	66	83
Security Life & Acc.	33	65½	85
Security Life & Trust	41¼	55	72
Southland Life	88	113	165
Southwestern Life	53	92	118
Springfield	33	36⅝	41½
Standard Life, Ind.	49½	59	68
Transamerica	26⅞	34	39
Travelers	93	122¾	137¾
Trinity Universal	31	34½	38½
Truck Underwriters	28	36	36½
United	32	54	60½
†United Pacific Corp.	18	28½	30
United Services Life	40	97	126
U. S. F. & G.	41¾	57¾	62¼
U. S. Fire	30½	35½	35
U. S. Life	34	70	87
Universal	28¼	27¼	33
Variable Annuity Life	8¾	11½	15¼
Victory Life	94	100	105
Volunteer State Life	57	70	74
Wash. National	36	57⅝	64
West Coast Life	31	48	50
Westchester Fire	33½	38¾	37¾
Western Cas.	38¾	56	54½
Wisconsin Natl. Life	28½	36½	44

*Owns Home Life, Pa.
†Owns United Pacific Ins.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. LaSalle St., Chicago, Sept. 5, 1961

	Bid	Asked
Aetna Life	143	Bid
Aetna Fire	118	122
American Equitable	21½	23
American, Newark	30	31½
American Motorists	26½	29
Boston	37	38
Continental Casualty	108½	111
Crum & Forster	52	55
Federal	69½	71½
Fireman's Fund	63	64½
General Re.	170	180
Glen Falls	43½	45
Great American	57½	58½
Hartford Fire	81	83
Hanover	46½	48
Home of N. Y.	63	64½
Ins. Co. of No. America	100½	103
Jersey Ins.	36	37½
Maryland Casualty	44	45
National Fire	146	150
National Union	46	47½
New Hampshire	63½	66
North River	44½	46
Ohio Casualty	28½	30
Phoenix, Conn.	120	124
Prov. Wash.	22½	24
Reins. Corp. of N. Y.	23½	25
Reliance	65	67
St. Paul F. & M.	83½	85½
Springfield F. & M.	41½	43
Travelers	138	140
U. S. F. & G.	63	64½
U. S. Fire	35	36

Seminar To Discuss WC Problems

(CONTINUED FROM PAGE 5)

the only question for the jury is "How much is the injury worth?"

(c) The employer may be enjoined from doing business in the state.

All States Endorsement

The all states endorsement, even with voluntary WC, does not necessarily qualify an amenable employer; nor provide WC insurance; nor cover fines, penalties, nor the employers' liability case of the type mentioned in (b) above because it is liability imposed under or by a WC law.

Unless the employer has properly filed evidence of insurance with the state in which an injury occurs, he may not qualify under a WC law even though he has purchased insurance which will pay WC benefits for the injured employe. This may result in fines and penalties, including the abrogation of the usual employer' liability defenses.

In the event this situation arises, will the insurer protecting the employe agree to defend (and pay judgment if necessary) an employer's liability suit where the employer has lost his usual defenses in the state taking jurisdiction of the case?

Does the abrogation of the three employer's defenses as a consequence of failure to file with the state constitute a penalty which is not covered by the all states endorsement or excluded because it is liability imposed by a law not covered by the policy?

Complete compliance might be guaranteed by: Making a WC filing in all states and the District of Columbia; adding U. S. longshoremen's and harborworkers' compensation act endorsement; paying a deposit premium in all of the monopolistic state funds.

However, Mr. Crain notes, there might be insurmountable complications: Many insurers are not qualified to write WC and employers' liability business in all states. Companies are reluctant to assume the burden of individual state filings unless the employer's premium volume justifies the overhead involved. Insurers discourage such general filings by warning the employer that such action will bring the employer to the attention of the state tax departments. West Virginia will not premit filings unless the employer is qualified to do business in the state. There is not established policy form nor rate structure for residual employers' liability insurance on employes covered by monopolistic state fund plans. In fact, most insurers will not admit that such a coverage is legal, or even a proper subject of insurance.

Special State Fund Problems

Mr. Crain points out several special problems incidental to state fund insurance:

West Virginia's fund is not available to employers who have not qualified to do business in the state. The employer becomes amenable if there is only one employe, and even casual employes create amenability after 60 days of employment.

Ohio, Pennsylvania, and perhaps other state funds do not provide employers' liability insurance. Even though this may not be important as respects injuries occuring in such states, it may be a serious gap if any employe is injured elsewhere under circumstances involving third-party-liability-over problems, or any other employers' liability situation.

Wyoming and perhaps some other monopolistic states have no provision for voluntary WC for excluded classes of employments and do not provide employers' liability coverage. Incidentally, private insurers may provide voluntary WC on excluded employments.

Although Oregon and Washington permit private voluntary WC benefits for non-hazardous employments, this practice may be dangerous if there is any chance of a hazardous exposure developing.

Suggests Ways To Reduce WC Paper Work

(CONTINUED FROM PAGE 7)

workmen. Thus the original reasons for the existence of a posting notice no longer exists. The fact that such notices are not required or used in 11 states stands as evidence that their elimination would not leave employes unmindful of their rights.

In those states where the posting notice is retained, a simplified standard form would be the answer. The language is prescribed by statute in only three states—Alaska, Arizona and Louisiana. In all other jurisdictions, boards or commissions would be free to adopt standard language.

For obvious practical reasons, insurers have furnished posting notices to employers. A standard form would eliminate stocking a separate form for each state. Each insurer would imprint its name and address before issuance. The only blank for completion should be the employer's signature.

IAIABC has been the pioneer in advocating standard claim forms acceptable to the states, Mr. Davidson said. As early as 1915, the association adopted a recommended standard form for use by compensation agencies as a "first report of accident." In 1932 it approved five standard forms with recommendation to each board or commission that the forms be officially adopted for the representative states. These five standard forms were the SF 1 (employer's first report of injury) SF 2 (surgeon's report), SF 3 (employers' supplemental report of injury) SF 4 (agreement as to compensation), and SF 5 (final compensation settlement receipt).

Sought Simplification

Committees of this organization assisted by national organizations representing industry and insurers, worked very hard in the 1930s to get this program of standardization adopted. The objective was to get simplification and to speed up the processing of claims.

Progress was slow but gradually some success was attained. Perhaps the high water mark of this standardization program was reached in the mid-1940s when SF 1 was accepted in 19 states, and SF 2 was in use in 16 states.

These standard forms have been revised from time to time to meet the needs of individual states. A general revision of SF 1 was adopted in 1956. The latest revision was undertaken by the association's committee on statistics with the purpose of providing injury and accident statistics that would be comparable one jurisdiction to another and yield accident experience essential to the development of sound safety programs.

However, Mr. Davidson regards as unfortunate the fact that this latest SF form has been adopted in only two states—Tennessee and Florida. Thus, not only has it failed materially to assist in safety programs but it has meant a set-back in the association's long standing program of form standardization. Most states still retain the 1952 or 1955 SF 1 forms. However, other states have gone from the standard form to their own forms or have made such changes in the standard form as to lose the advantages of uniformity.

Constructive Criticism

He suggested that members of the association sound out compensation administrators in states which have used the standard form in the past but have not adopted the 1956 revision. They should be able to supply the specific information as to why this revised form was not acceptable in their states. Such constructive criticism should be most helpful in the preparation of a revision of SF 1 which will meet the needs of the greatest number of states. An effort should be made to have the form approved by such states before formal approval by the association, he said.

In 1958 the group's committee on statistics submitted an excellent report which was the culmination of a two-year survey of the reporting requirements and forms of all state, provincial and federal jurisdictions. This should prove to be an invaluable source of material in the effort to provide standard reporting forms compatible with needs of these jurisdictions.

Mr. Davidson emphasized that all those engaged in the administration of the WC laws—employers, insurers and commissioners—have a vital concern with the ever growing volume of paper work involved. The need is to be constantly alert to reduce or eliminate items of paper work. Where this is not done, an increase in clerical force is inevitable. He pointed out that the current starting salary for a file clerk is double the salary he made as a claims attorney 20 years ago.

Unnecessary expense on the part of insurers or administration agencies must come out of the WC premium. Everyone has the duty, then, to keep administrative costs of the compensation system to the basic essentials, he declared.

Three Get V-P Status At Mich. Mutual Liability

Michigan Mutual Liability has made several executive changes and promotions.

Edward C. Foote, resident vice-president of the south central region, becomes vice-president market research and sales development; M. Paul Middlekauff, assistant vice-president, becomes vice-president in charge of sales administration; Walter O. Miller, assistant vice-president special risk division, becomes resident vice-president of the south central region.

Mr. Foote started with Michigan Mutual in 1947 and was made head of the south central region in 1955.

Mr. Middlekauff joined the company in 1935 and, except for two years with the FBI during WW II has been continuously in sales activities.

Mr. Miller joined Michigan Mutual in 1952 and has been assistant department head, assistant manager of the special risk department, and assistant vice-president special risk division.

Indiana Lumbermens Promotes 4 In Field

Indiana Lumbermens Mutual has promoted James T. Bergen and George W. Long, both special agents, to field supervisors in their respective territories and has raised Frederick H. Weber and Arthur E. Pulver to special agents.

Mr. Bergen serves agents in western New York and Mr. Long performs a like function in the eastern division, which includes eastern New York, Connecticut, Massachusetts and Rhode Island. Mr. Weber will assist Mr. Bergen and Mr. Pulver will work with Mr. Long.

Celina Mutual Realigns Fire Underwriting Unit

Celina Mutual group has realigned its home office fire underwriting division with Hugh Setterfield named fire and allied lines superintendent. Wilmer Knapp is senior fire underwriter, handling 15 production divisions; Morris Spees is junior fire underwriter for 17 divisions. Lowell Davis will handle field inspections from home office in addition to underwriting duties.

Lee Olding continues as fire underwriter of "economy plan insurance" fire and allied lines in National Mutual.

Mr. Setterfield has been with Celina Mutual for five years. His duties included field fire underwriting and sales promotion, inspection and handling jumbo risks. Most recently he has concentrated on field and office underwriting of special risks.

Gibbs To New Post

Corroon & Reynolds group has appointed William P. Gibbs special agent to work with State Agent Joseph H. Beter Jr. at New Orleans. Mr. Beter has the supervision of complete operations of the group's companies in Louisiana. Mr. Gibbs has been with the Louisiana Fire Insurance Rating Bureau.

Pittman V-P Of Reid-McGee

JACKSON, Miss.—W. H. Pittman has become executive vice-president of the Reid-McGee agency here, succeeding Howard McGee, who died recently. A veteran of 20 years with the agency, Mr. Pittman had been vice-president and he will take over Mr. McGee's duties.

Inter-Regional Backs Special EC Endorsement

Inter-Regional Insurance Conference has recommended to fire rating bureaus a new special extended coverage endorsement for fire policies to provide all risk coverage.

The endorsement extends the fire policy to insure against all risks of direct physical loss, with certain exceptions. It includes coverage of damage caused by vandals, water damage, including sprinkler leakage, and collapse of buildings.

Calling for attachment of the appropriate coverage form, the endorsement applies to all classes of buildings except manufacturing risks, builders risks and certain other named categories and structures. Among eligible buildings are churches, schools and municipal buildings. The endorsement applies to improvements and betterments to eligible buildings when they are written as a separate item, and also to direct time element coverages involving loss to eligible buildings. Private dwellings and farm property, for which all risk coverage already is available, are not eligible.

The endorsement does not apply to building contents, such as machinery and fixtures or stock.

Premium cost is developed from the basic EC rate, plus a minimum annual premium of $25 per building, together with an added "all other perils" rate charge. The endorsement requires at least an 80% coinsurance clause for property damage coverage and the usual contribution percentages for time element coverages.

Rourke Ends 32 Year Glens Falls' Career

John C. Rourke, secretary in charge of the workmen's compensation and liability department of Glens Falls, has retired after 32 years with the company.

Mr. Rourke joined Glens Falls in 1929 as manager of the WC and liability unit, a year and a half after its organization and was instrumental in developing its underwriting procedures. He became assistant secretary of Glens Falls Indemnity in 1948 and secretary of the group in 1951.

Mr. Rourke was honored on his retirement by fellow officers at a luncheon held at the Glens Falls Country Club.

Set Up New Scholarship

Employers Mutuals of Wausau have established a scholarship at the University of Wisconsin in the name of W. H. Burhop, chairman, to provide $1,500, renewable annually, for a student or students selected by the university faculty.

The scholarship will be in addition to those previously established by the companies at the University of Wisconsin, U.C.L.A., and the University of Pennsylvania business school.

Senate Report Is Highly Critical Of Bureau Role, State Regulation

(CONTINUED FROM PAGE 2)

potential for adversely affecting rate competition."

A number of such organizations "have exercised a profound influence over rate levels," the report declares. "In particular, it was noted that the power and responsibility for the operation of these organizations have been concentrated in the hands of a relatively small group operating largely out of New York City.

Role Of Inter-Regional

The report devotes a great deal of attention to Inter-Regional. It observes that in most instances the establishing of the over-all rate level has been the function of IRIC. In almost all cases the local bureaus have exercised little more than a mechanical function. It appears that they originate few changes in rate levels and have done little more than to apply the formula recommended by IRIC.

If the governing committees of the local rating organizations were composed of persons other than representatives of companies that make up the preponderance of representation on IRIC, some opportunity of independent action might be presented from time to time. Under the present system, virtually none exists.

It is meaningless to say that IRIC does not make rates, the subcommittee declares. The important question is, whose attitudes and policies govern the final rate? Documents and testimony established during the hearings that IRIC's attitudes and policies are among the most important factors.

Where insurance competitors are permitted to gather in associations and discuss problems and issues of the day, the opportunity is presented for anti-competitive programs which may degenerate into conspiracies to restrain trade, the report asserts. In the case of Inter-Regional, these "discussions" in many cases have resulted in a concerted refusal to innovate. The report cites as an example of the latter the refusal to write big deductibles for utilities. Testimony indicates, the report states, that committees of IRIC were firmly agreed upon a course of nonaction with respect to high deductible fire insurance.

Excess of loss covers in large sums continue today to go abroad, placed there by large industrial buyers seeking to save substantial sums in premiums. "The question arises," according to the subcommittee, "whether this amounts to a concerted refusal to sell or to deal. Concerted refusals to sell are boycotts, and have long been treated as per se violations of the Sherman act." Boycotts are still actionable under the McCarran act.

A great deal of the record published by the subcommittee also deals with the activities and discussions of National Board and of the North committee of the board (named for the chairman, John A. North of Phoenix of Hartford) with respect to partial subscriberships and litigation in connection with that issue.

'Failure Of The States'

"The failure of the states to take effective action or even to be cognizant of the nationwide plan to retard the competitive process is a serious indictment of state regulation," the report goes on. "While rating bureaus have been subject to regular periodic examinations, these advisory organizations have not been subjected to the same careful supervision. Of 46 advisory organizations reported on in the questionnaires sent commissioners, 16 were not licensed in any state."

The subcommittee's investigation clearly showed, according to the report, that a small number of important companies had representatives on nearly all of the executive committees of the rating bureaus during a five-year period selected for analysis. By placing representatives in positions of power year after year, these companies exercised domination over the rating process. Also, a small group of companies dominated the advisory organizations throughout the entire period. Seven of the 16 members of the governing committee of New York Fire Insurance Rating Organization were also members of Pacific Fire Rating Bureau.

Notes D. C. Legislation

The subcommittee notes that the proposed D.C. legislation defines advisory organizations in broad terms that cover any trade association or other insurance organizations which may seek to exercise influence or control over the rate making processes. Adequate supervision of these organizations requires that they maintain full and complete minutes of all board, committee, and subcommittee meetings as well as membership meetings. Considerable data should be filed by such organizations with the insurance department, including all recommendations to insurers or other organizations. This plus periodic examinations will enable the commissioner "to maintain a close watch over these organizations."

The subcommittee would prohibit advisory organization rules or programs that have the effect of requiring insurers to adhere to rates or of preventing companies from acting independently. The D.C. bill would give the superintendent adequate authority to proceed against such organizations for acts or practices which are unfair, unreasonable, or have the effect of substantially lessening competition, or which otherwise contravene the purposes of that law.

Commenting on rate competition, the report notes that only after considerable prodding by Sen. Kefauver was the subcommittee able to get from the commissioners figures on fire and allied lines only for 1957. These figures showed that "in the overwhelming number of states reporting (26), an alarmingly high percentage of the business is written at the full bureau rates." It is evident, the report states, that little rate competition exists in many states. While only 64.5% of all fire business nationally is written at full bureau rates, this has little meaning in Hawaii where 98% is at full bureau, or Maine, where it was nearly 100%, or New Hampshire, 96%, New Jersey, 90%, West Virginia, 89%, or Louisiana, Idaho, and D.C., 85%.

The report observes that the claim of the commissioners that more than one-third of all fire insurance is written off full bureau rates, and the volume is constantly rising, includes more than one-third of the total business which is written at full bureau rates subject to subsequent payment of dividends if earned. Such rates cannot be equated with initial lower rates, the report states. Of the total written off-bureau 10.4% is in specialty areas such as select factory risks, farms, grain elevators, and flour mills, and does not represent competition in the general fire insurance market.

Average Salaries

The subcommittee's investigation into the qualifications and characteristics of present rate regulatory personnel showed the average salary of rate technicians was $4,900. Rate regulatory personnel constitute approximately 9.6% of the total number engaged in insurance regulation. Of the total of 505 persons engaged in rate regulation throughout the country, only 302 devoted all their time to these duties.

The subcommittee concludes that many departments are understaffed, and the personnel underpaid. The states would have better regulation with fewer, well-paid, full-time persons in rate supervision. If the states are to meet their responsibilities, they must have technically qualified personnel giving their undivided attention to these important details.

The subcommittee also found that few full time personnel in rate supervision have enough experience in the work.

The items (forms, rates, endorsement, rating plans, underwriting rules and statistical plans) handled per employe averaged 385. But in 21 states the average was more than 1,000 items and in Arkansas, Arizona, and Utah the figure was more than 7,000.

Filings Open To Public

The subcommittee found that 18 of the 46 states reporting made rate filings available to companies or public, eight under statute, four under statute and administrative rule, and six under rule. The subcommittee likes the idea of making rates available for inspection before departmental action so that public representatives will have time to protest.

The subcommittee learned that while only .15% of filings by bureaus were disapproved, 2.7% of filings by independents were disapproved.

These are the principal points made by the subcommittee in its report. However, additional excerpts serve to

Senate Report Is Highly Critical of Bureau Role, State Regulation

indicate the vigor with which the subcommittee criticizes state regulation.

"This subcommittee now states its unequivocal opposition to laws which are diametrically opposed to the principles of free competition by making membership in rating bureaus compulsory," the report says. "It is earnestly hoped that those states still retaining in their rating laws such vestiges of pre-Southeastern Underwriters Assn. thinking will accept this invitation by the Congress to modify their laws accordingly. While the official position of the NAIC is in opposition to a mandatory rate bureau requirement, it is distressing to find that the offices of this powerful national organization have not been utilized to bring about needed reforms in those states dedicated to this restrictive legislation."

When the NAIC explains its failure to exercise its influence by saying that each state should be free to adopt the regulatory system best fitted to the needs of its citizens, the report goes on, it "is simply closing its eyes to its reponsibilities." The record shows no basis for believing that peculiar situations exist in any state justifying a mandatory rate bureau law. NAIC has not faced up to the hard task of challenging those state laws which violate the spirit of the McCarran act and which contravene rating principles to which NAIC itself subscribes, the report charges.

Warns Commissioners

The subcommittee warns commissioners that "the danger exists that the persistent failure to act ultimately will increase the pressure for federal regulation of insurance. The subcommittee does not regard this as a feasible solution. Where conflict between state and federal law exists, the subcommittee repeats its belief that the Department of Justice should commence the necessary proceedings to affirm the supremacy of the federal law."

In the proposed D. C. act the subcommittee is putting forward a basic revision in the approach to the regulation of rates adopted by the states and for the D. C., the report asserts. The subcommittee believes the impact of a new D. C. rate law will be great. It will be an affirmative expression by Congress of its intention concerning the kind of rate regulation conforming most closely to the purposes of the McCarran act.

During the 15 years of the all-industry laws, the report observes, major marketing changes have been occurring which drastically affect the nature of the business. Exclusive agency companies, direct writers, and mail order companies have been industriously exploiting new techniques to reduce costs, improve coverage and get a better product into the hands of the consumer at a lower price. The marketing revolution in insurance has closely paralleled the developments in other industries necessary to satisfy a price-conscious public. An intensive competitive struggle has resulted.

Backward Companies

Companies defending the old order have exerted effort to resist innovations rather than cut their own costs and improve their own techniques to meet competition, the subcommittee charges. State rate laws have been utilized to hamper and delay competitive progress. A small group of tightly interlocking companies and advisory and rating organizations have had a measure of success in this campaign. While independent companies have ultimately prevailed in court, victory has been achieved at great cost, after prolonged delay, and at an expense to the buyer which can never be calculated.

The subcommittee believes that the new approach to rate regulation contained in the D. C. bill gives fullest expression to the free play of competition and will effectively deter any recurrence of efforts to hamstring competition. Its purpose is not to destroy rating bureaus or the legitimate activities of advisory organizations. By permitting the natural forces of competition to operate more effectively, it is intended that this regulatory system will permit the survival of all that is good in the rating bureau principle and will eliminate all its restrictive features.

Commenting on prior approval, the subcommittee opines that any statute which permits rates to be on file with the superintendent prior to their effective date builds up pressures which oblige the superintendent to undertake some review of the rates before the effective date. This is a burden. If the provisions of the fire rate law (in D. C.) were enforced in their literal sense, the administrative bur-

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den on the superintendent would be enormous, the report declares.

The subcommittee believes that by relieving the commissioner's office of the multiplicity of duties inherent in prior approval, personnel will be free to concentrate on major regulatory problems. With limited budgets available and regulatory staffs already inadequate, a smaller staff under a subsequent review system is the more realistic alternative. The over-regulation which results from prior approval frequently converts rate making into a political football.

Immediate use of filings will permit prompt accommodation of rates to current conditions in the economy, the report continues. Such rates can be made to reflect the actual loss situation which then obtains, rather than tying rates to a loss picture which is no longer realistic. Also, companies can avoid prolonged periods of rate inadequacies which occur under prior approval statutes. The industry will be encouraged to provide markets for all insurable risks. The subcommittee also believes that American insurers, relieved of the burdensome restriction of advance approval of rates and forms, would be in a better position to meet the competition of the alien surplus line operator.

The subcommittee emphasizes that it does not believe rate making should be left to unbridled competition. While competition, under its proposal, becomes the chief arbiter of rates, the commissioner is always able to step in and disapprove those rates which do not meet the statutory standards necessary for the protection of the public interest. Ultimate responsibility for rates continues in the hands of the superintendent. Those who use the 1911 Merritt committee report in support of continuing prior approval laws ignore the increased effectiveness of the commissioner's office as a means of protecting the public that has occurred in the last 50 years.

Excessive And Inadequate

The subcommittee feels that the standards for rate making generally used in rate laws throughout the country are adequate. However, it believes "excessive" should be defined as in the present California and Missouri statutes, with the principal emphasis on competition.

The D. C. bill states that "no rate shall be held to be inadequate which upon reasonable assumptions of prospective loss and expense experience will not produce an underwriting loss." This definition, the subcommittee thinks, focuses attention on considerations intrinsic to the rate itself and provides a simple, precise and workable guide to the determination of adequacy. Because the definition is somewhat experimental, the subcommittee asks for a full expression of views from all interested parties.

The report also asks for full guarantee of the right of partial subscribership.

The subcommittee expressed great concern over the prices charged for bureau manuals. It termed "alarming" National Bureau's announcement that it intended to copyright all manuals and revisions to discourage the unauthorized use by companies not willing to pay the new and higher assessments. This, the subcommittee declares, has anti-trust implications. The subcommittee was told that the manuals probably include material originated by other filers. Thus, originators would be restricted in the use of their own innovations.

Discourage New Ideas

"If the practice of copyrighting manuals becomes prevalent, other insurers might seek to copyright their own new coverages to prevent others from incorporating such coverages in a copyrighted filing." Widespread copyrighting would certainly discourage new ideas or new coverages.

The reports puts the commissioners on notice that they will have to determine whether such assessment rules conform with state laws and whether they might be so restrictive of competition as to precipitate prosecution under the federal anti-trust laws.

The subcommittee's hearings strongly indicate that state rating laws "have been perverted to thwart free competition through the so-called aggrieved persons provision," the report declares. Competitors and particularly rating bureaus have achieved recognition as aggrieved parties in administrative hearings and in court proceedings involving rate filings. The provision has resulted in harassment of insurers seeking to reduce rates by companies not welcoming such competition. Needless burdens have been foisted upon insurance commissioners in such proceedings, and courts have been kept busy litigating these issues.

"The evil is compounded where combinations of competitors, acting through their rating bureaus, are permitted to pool their resources in opposing their more venturesome competitors. Such mischievous provisions in rating laws have served to frustrate or delay the healthy processes of competition."

The subcommittee recommends that only the filer or a policyholder has the right to be a party in interest in a hearing or appeal for the superintendent's ruling. "The power to protect the public interest should not be reposed in a private elite," the report declares.

Can Do Better Job

Relieving the commissioner from the techniques of rate making will not detract from his prestige or reduce his responsibility, the subcommittee believes, but will enable him to do a better job with examinations. This is the key to solvency, the report indicates.

The examination procedure should be more effectively employed in scrutinizing the trade practices of companies, rating bureaus, advisory organizations, and trade associations, the report states. In assembling the documents which make up the bulk of the subcommittee's record on rates, great emphasis was placed on analyses of correspondence, memorandums and minutes of meetings of the principal organizations. State examiners have not been sufficiently diligent in doing this so as to determine attitudes, motives, and practices of company officials. Yet only in this way can the commissioner avert a recurrence of the nationwide program to thwart or delay competition which was revealed to the subcommittee by the records of National Board. Also, this kind of company examination would enable the commissioner to ascertain whether management policies and practices are

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endangering company solvency.

There is much evidence that the processing of complaints by the state insurance department is handled in a very perfunctory manner, the report charges. The lack of definite procedures tends to nullify any successful effort to curb unfair trade practices. Complaints cannot be effectively handled through routine correspondence with the parties involved. The subcommittee does not suggest that all complaints justify full field examinations. This would further overburden undermanned staffs.

However significant complaints could be the basis for initiating company examinations. At that time the complaints could b thoroughly investigated and a simultaneous appraisal made of the company's financial position.

If definite and orderly procedures are the hallmark of the law, the report observes, the institution of formal enforcement action following investigations of this kind would be the most effective deterrent to improper practices.

The major burden of the commissioner should be safeguarding company solvency, the subcommittee believes. Greater reliance should be placed on company examinations in achieving this objective. Traditionally company examinations have stressed checking of financial data. This is a somewhat mechanical function which, though important, should be left to accountants especially trained for the job. More time and effort should be spent testing underwriting and investment policies and in critically analyzing those decisions of management which bear upon the preservation of the insurance fund.

Need For Caution

The subcommittee has seen little evidence that inadequate rates have been the cause of company failures. However, greater competition will magnify the need for surveillance of the company's financial position. In a more competitive environment, there may be greater danger of discriminatory pricing. The commissioner must develop more effective techniques in conducting examinations so as to discover whether rate discrimination is being practiced at the expense of sound underwriting. Improved formulas must be devised to measure adequacy of reserves in relation to risk. Careful examinations should reveal whether irresponsible dividend policies are a threat to the policyholders' equity.

States Vary

Some states have no rule on frequency of examinations. Some have not conducted an examination in five years. Yet the subcommittee believes three years is a minimum requirement for effective regulation. It recommended examination without notice and payment of costs not by the examinee but out of state funds. No regulatory agency can assert a claim to independence where the company or organization being examined is required to pay the cost on a per diem basis. States must assume the cost of such examinations if they expect to preserve their roles as guardians of the public interest. Per diem payment is wasteful, leads to make-work projects, and is used to liquidate political debts. Insurers seldom complain for fear of retaliation. Examiners should be full-time salaried employes responsible only to the commissioner and paid by the states. Thus the incentives for corruption and inefficiency can be reduced, the subcommittee avers.

Cal. Agents Get Three Reports

(CONTINUED FROM PAGE 2)

terests are best served by the present dwelling insurance contract.

Reporting on the recent anti-trust settlement with five insurance companies involved in the California League of Independent Insurance Producers' suit, officials said the agents' purposes in the suit have been realized.

Basic objectives of the suit, they noted, were to eliminate collaboration among companies in fixing commissions and to establish the principle of individual negotiation of commissions in a court record. In the signing and filing of legal covenants by company officials and by CLIP attorney Joseph Alioto last month, both objectives were met.

The court action is important not only to agents who participated in the suit but to all insurance agents, association officers emphasized. In signing these covenants, the companies acknowledged the principle of no collaboration in fixing commissions. It seems clear, the officials noted, that the companies, in future dealings with both agents who were and were not plaintiffs in the suit, will not attempt to violate a principle which now is contained in formal court documents.

California's safe driver insurance plan has "virtually halted" the flow of desirable private passenger car business away from member companies of the National Bureau in the view of John J. Savage, bureau Pacific Coast manager. In a report to agents, he said a survey of 15 large bureau companies writing the majority of California business indicates that these companies enjoyed more than a 15% increase in private passenger units insured in 1960 over 1959. During the same period private car registrations increased only 4.8%. This means that bureau companies "are beginning to increase their share of the market for the first time in many years," Mr. Savage observed.

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Iowa Assn. of Independent Agents will hold a local board officer conference in Des Moines Sept. 15 and a meeting of the executive committee Sept. 16.

Traffic Deaths Drop 4% In July

July traffic fatalities dropped 4% from the total during the same month in 1960, despite the record-high July 4th weekend death toll of 509, according to estimates of National Safety Council. Traffic accidents claimed 3,310 lives in July, the third consecutive month this year to show a decrease in deaths over the corresponding month of the previous year. During July, 1960, 3,450 were killed on the highways.

The first seven months of 1961 showed a 2% decrease in traffic fatalities. The council reported 20,290 motor vehicle deaths for this period compared with 20,620 during the first seven months of 1960.

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N. J. Women To Hear Safe Driver Plan Talk

William H. Brewster, public relations assistant to the general manager of National Bureau, will be the speaker at the Insurance Women of New Jersey dinner meeting Sept. 28 at Military Park Hotel, Newark. He will discuss the safe driver plan.

The women's group is giving a course on the plan, beginning Oct. 3 at the offices of Commercial Union, 123 Cleveland Street, Orange. Registrations are now being accepted.

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The **Columbus CPCU** chapter's courses in management, accounting, and finance will begin Sept. 18 and run for 33 weeks at Motorist Mutual's home office there.

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